Bridging the Gap Between Rich and Poor in South Africa

17–19 May 2000
Sizanani Centre
Bronkhorstpruit

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Introduction

The conference *Bridging the Gap Between Rich and Poor in South Africa* was held at the Sizanani Centre, Bronkhorstpruit on 17–19 May 2000. It was organised by the Economics Desk: Justice and Peace Department of the Southern African Catholic Bishop's Conference, together with the Bethlehem Social Academy and the Konrad Adenauer Foundation.

The conference was held, we believe, at an important time in our country's history. After the inauguration of the new dispensation and as part of the economic transformation of South African society, we had to search critically for strategies to bridge the gap between rich and poor in this country.

The Justice and Peace Department believes it is important for local people to be involved with local government in the process of transformation, since this is their democratic right according to the national constitution. Economic literacy is therefore one of our main programmes, the aim of which is to help people play a more meaningful role in their communities.

We believe this conference and this compendium of the conference proceedings takes us to a new level of debate on economic issues.

Bishop Kevin Dowling
Bishop of Rustenburg, Northwest Province
Chairperson, Southern African Catholic Bishops' Conference, Justice and Peace Department

Welcoming Remarks

Michael Lange

INTRODUCTION

On behalf of the Konrad Adenauer Foundation (KAF), I would like to extend a very warm welcome to you all. It is a great pleasure to cooperate for the first time with the Bethlehem Social Academy and the Justice and Peace Department of the South African Catholic Bishops' Conference. We hope this colloquium – *Bridging the Gap Between Rich and Poor in South Africa* – will mark the start of a more intense working relationship with both these organisations, particularly when they choose to tackle issues that form part and parcel of KAF's ongoing efforts to contribute to the successful socio-economic transition of this country.

1. BACKGROUND

For those not familiar with KAF, allow me to provide a brief background to the German political foundations and to outline some of the activities that our Foundation is involved in, in South Africa.

The German political foundations are a unique feature of today's democratic culture in Germany. The move behind their creation, which dates back to the 1960s, was the expectation that political or civic education would help develop and consolidate democracy in post-war Germany.

Both in Germany and abroad, the foundations seek to further development and encourage people to play an active part in the political and social lives of their communities. They assist in strengthening the concept of human rights and help to implement social justice and the rule of law.

KAF is one of five political foundations in Germany today and is closely affiliated to the Christian Democratic Union Party – a centrist political party in Germany.

The Foundation proudly bears the name of one of the founding members of the Christian Democratic Union Party, Konrad Adenauer, who became the first Chancellor of post-war Germany. Our work still reflects the spirit of this remarkable German statesman.

KAF has been cooperating with partners throughout the world for more than 35 years. Some 85 representatives of the Foundation working abroad, oversee some 200 projects and programmes in more than 100 countries. In this way, we believe we are actively assuming a share of responsibility for shaping international relations.

2. KAF IN SOUTH AFRICA

In South Africa, the Foundation cooperates not only with political parties and their respective think-tanks, but also with reputable education and research institutions. It has wide-ranging programmes in different provinces in South Africa.

In the political realm, our main projects concentrate on: constitutional development at national, provincial and local levels; policy aspects of local development; and the training of government officials and councillors. We also assist provincial governments in their attempts to integrate their different local administrations.

In the economic realm, we engage primarily in what we call "economic policy dialogue" regarding economic systems, such as the

German social market economy. The aim of this dialogue is to clarify the fundamental elements of the social market economy as an economic approach, combining the principle of economic freedom with that of social equality.

KAF believes very strongly that the social market economy as an economic system has no parallel with regard to its ability to facilitate the implementation of concepts such as personal freedom, equality of opportunity, private ownership, growing prosperity and social progress for all citizens of a country.

3. RECENT DEVELOPMENT

A rapid change has taken place in Africa since the end of the Cold War. Almost the entire continent has in an amazingly short time made remarkable progress towards political participation and economic emancipation.

While the former is proceeding at a slow, sometimes barely recognisable pace, the latter has increasingly gained momentum over the past few years, as can be seen by the economic policies of erstwhile socialist or even communist regimes in Zambia and Moçambique.

Even the African National Congress (ANC) has over the past couple of years implemented a turnaround in its economic policy from the rather state-driven, market-assisted Reconstruction and Development Programme (RDP) to the more market-driven, state-assisted Growth, Employment and Redistribution (Gear) strategy. The ANC (albeit belatedly) realised that in the economic reality of a globalising world economy, governments will no longer be able to guarantee lasting employment – this can only be done with the help of entrepreneurs and the private sector.

There has simultaneously been an emerging consensus that the key test of the success of South Africa's democracy will be how and to what extent the government – or society – will effectively deal with the problem of poverty alleviation.

Recent polls are proof of the fact that the implementation of democracy and the rule of law, together with the economic transformation of South Africa, cannot be continuously implemented without causing frustration and disappointment to many who – since the election victory of the governing parties – yearn for instant material rewards.

This is even more understandable in light of the fact that some 19 million South Africans, representing almost half of the population, must be considered poor in the sense that their incomes fall below the poverty line. South Africa's Gini-coefficient – a measure for inequality in a society – is considered to be one of the highest in the world.

This means that the top 20% of the South African population accounts for 70% of national expenditure, while the bottom 20% accounts for a mere one per cent. This makes South Africa one of the countries with the highest inequality of income in the world.

4. GULF BETWEEN RICH AND POOR

A recently published United Nations (UN) report indicated that if one takes 'white South Africa' as a country on its own in a ranking of per capita income groups, the country would occupy 13th place next to Spain. If, however, one did the same with 'black South Africa', the country would occupy 113th place next to the Democratic Republic of Congo (DRC).

Recent studies have shown that the gulf between South Africa's rich and poor has widened since the first democratic elections in 1994. Analysts from economic consultancy agents WEFA Southern Africa stated in a report that the growth in inequality stems from world trends, including industrial restructuring in the face of fierce international competition, combined with a decreasing demand for unskilled labour and an increasing demand for professional skills.

A study on income distribution conducted between 1991 and 1996 shows that the rich continued to get richer, while the poor – especially in the black community – lost further ground.

The study specifies that although the 'black's share' of national income rose to 35.7% in 1996 from 29.9% in 1991, the 'white's share' during the same period fell from 59.5% to 51.9%; more than 90% of the increase in the income of blacks stemmed from economic growth – sluggish as it has often been – with less than 10% attributable to a redistribution away from whites.

Many – not least the president of this country – therefore continue to speak of a persisting 'economic apartheid', where it seems that the South Africa of today is less of a rainbow nation and more of a country of two nations;

one predominantly white and relatively prosperous, and another predominantly black and relatively poor.

We also have to realise that the changing face of wealth in South Africa has mostly benefited an emerging black middle class, with the proportion of black households in the richest 10% increasing from a mere 2% in 1975, to 9% in 1991 and reaching an astonishing 22% in 1996.

At the same time, the black poor became worse off, with the poorest 40% of black households seeing a 20% drop in their income from 1991 to 1996. As a result, the authors came to the conclusion that inequality within the African community is almost as great as within the whole country.

While the creation of a black middle class may be high on the agenda of the ruling party, growing inequality is bad news for a government dedicated to creating a better life for all.

While government policies of poverty alleviation – for example, the provision of housing for lower-income families and running water for the rural poor – may soften the harsher effects of poverty, these policies do not close the widening income gap.

This gap is the result of job losses in the formal sector and the shift towards higher skills. The gold mining industry has, for example, shed more than 200 000 jobs from a peak of 530 000 in 1987. Even when the economy grew by 1.7% in 1997 another 142 000 jobs were lost, while the labour force grew by about 320 000 that year alone. Companies that enjoyed state protection during the apartheid era now find themselves exposed to global competition. As a result, jobs continue to be lost and newcomers to the shrinking job market are forced to join the swelling ranks of the unemployed.

Unemployment today stands at between 23% and 38% of the labour force, depending on the definition of unemployment used. These rates seem to many to be unacceptable.

At the same time, however, we are witnessing further retrenchments in the public sector and more restrictive labour legislation, which is frustrating efforts by the private sector to employ more people.

It should also be remembered, however, that between 1991 and 1996, there was an 80% increase in blacks employed in highly skilled occupations, making full use of both affirmative action and the growing premium placed on the scarce skills they possess.

It is obvious that so far only the educated urban black elite and middle class have gained from the socio-economic realities of the new South Africa. The promised better life for all still eludes the majority of poor people in this country.

A fair distribution of economic opportunity, and as a result income, is a prime element of a social market economy and therefore an indispensable policy concern to us. It is here that we see a role for the state, namely to ensure equality of opportunity (not outcome) and to assist with tax measures so that the proceeds of a country's economic wealth is distributed more equitably.

While we encourage the government to remain committed to its economic policy framework of restructuring the public sector and pursuing financial discipline, surveys and opinion polls show that crime is of foremost concern to most, if not all, South Africans. What seems true, however, is that aspects such as crime, poverty and unemployment are interrelated.

5. CHALLENGES

Many say that the rule of law has all but disappeared. Criminals seem better protected under the new law of the land (the constitution) than the average law-abiding citizen. Some professional observers of the crime wave have even warned that the situation has moved dangerously close to anarchy.

If we define tyranny as the 'public order without freedom' and anarchy as 'freedom without public order' we somehow seem to witness in the South Africa of today, the former being replaced by the latter. We cannot believe that the people of this country have struggled against the tyranny of apartheid, only to have to live with the anarchy of crime.

Nevertheless, in the case of South Africa it is puzzling to me that when processes of political and societal transformation aimed at the creation of democratic market economy systems are intensifying all over the world, there are still ministers, trade unionists and party representatives, who seem to have missed the point and are perceived to be holding in high regard, nostalgic ideas of social engineering .

The government pronouncing itself worried about the fate of the poor and unemployed, has at least until recently, jumped to meet the demands of the trade unions which – as we all know – represent the privileged few people who already have jobs, while forgetting about the unemployed. A country which so badly needs foreign long-term investment capital can ill afford a situation where crime, and the climate of fear resulting from it, is increasingly becoming an effective discouragement for foreign and local investment.

One need not be an economist to realise that the urgently needed millions of jobs will only be created if a climate exists that is conducive for existing businesses to grow and for entrepreneurs to invest their money in new enterprises.

With the collapse of communism, market economies have proved their superiority as engines of human prosperity. The benefits of a social market economy are being increasingly recognised not only worldwide, but in Africa as well.

CONCLUSION

In view of the current situation in Zimbabwe, I trust we share the conviction that the process of transformation will be successful only if democracy, the rule of law, and the principle of a just participation in the economic development of the country by all sectors of society are understood, accepted and continuously implemented.

Building and maintaining a strong and enduring democracy will depend on a continuing commitment by all segments of South Africa's diverse population to reconciliation and far-reaching economic and social transformation.

The purpose of this workshop is to allow experts from different backgrounds to produce a common understanding of all issues involved and to attempt a thorough discussion of the ways to cope with the challenges posed by the widening gap between rich and poor in South Africa.

Let today's workshop be an example of the much needed cooperation between government and civil society, in analysing the situation and its effect on the fabric of South Africa's society. Let this workshop be our humble contribution to the quest for peace and justice in South Africa.

KAF is willing to contribute to this process. I can only hope that at the end of today you consider our workshop to have been an interesting and worthwhile event.

Opening Remarks

Hubert Bucher

INTRODUCTION

It is more than a coincidence that the German-based Konrad Adenauer Foundation is co-hosting this conference with the Bethlehem Social Academy and the Justice and Peace Department of the Southern African Catholic Bishop's Conference.

It was Konrad Adenauer – the first chancellor of the Federal Republic of Germany – who, together with his Minister of Economic Affairs Ludwig Erhard, was the architect of Germany's renaissance after the country's military defeat in 1945. The engine behind that renaissance – which was soon to be acclaimed as the "German economic miracle" – was Germany's social market economy: a policy aimed at securing prosperity for all the country's inhabitants.

1. CONCEPTS AND REALITY

In South Africa, President Thabo Mbeki recently initiated the much vaunted talk about the "African Renaissance". It is one of those buzz words, so typical of the new South Africa. Like archbishop Tutu's reference to South Africans as the "Rainbow Nation", Thabo Mbeki's talk about the 'African Renaissance' quickly gripped the people's imagination and has since entered into our every day vocabulary.

However, just as the beautiful concept of the "Rainbow Nation" has not itself done away with taxi violence and frequent wildcat strikes, talk of the "African Renaissance" will not heal like magic our nation's wounded social fabric and endow it with a vibrant economy.

South African's have experienced their own "miracle", when under the unbelieving eyes of the world they accomplished the peaceful transformation of their society from its apartheid past to a democratic dispensation, which is the envy of many other countries on the continent and beyond. What we have yet to achieve, however, is to bridge the enormous gap that exists between the very wealthy and those at the bottom end of the income range, which is another legacy of our country's painful history.

CONCLUSION

Social academics, acting as think-tanks, played an important role in post-war Germany taking the road of its successful social market economy. It is our hope that the Bethlehem Social Academy, in a small way, may be able to assist South Africa in addressing its many pressing social woes.

Let us strive to sent out a message that will help South African society become more centered on the demands of justice and, in consequence, make our country a better place to live in for all its inhabitants.

Income Inequality and Unemployment in South Africa: Facts, Causes and Perspectives

Charles Simkins

INTRODUCTION

By far the greater part of the post-apartheid electorate look forward not only to better lives but to a society in which inequalities are less stark and less racially structured than before. The government responds to this aspiration by stressing that many of its programmes – both regulatory and direct provision – are shaped by these ends. The claim is reasonable, though the extent and nature (particularly width versus depth of redistribution) of the change is not yet clear. Of course, the government itself is constrained in what it can achieve, both by the demands of macroeconomic balance and the limits on state capacity.

At the same time, there are aspects of the economy not determined by current government policy. The international economy provides both opportunities and threats for the goal of poverty and inequality reduction. So far, the South African economy has been affected less than many middle-income countries by the international financial turbulence of 1998, but a sharp rise in interest rates is likely to choke off growth for a year or so (bad news for an economy which struggles to achieve an economic growth rate in excess of the population growth rate), putting pressure on government spending programmes and pushing out by a year the achievement of the target budget deficit. Equally, the distribution of endowments and the structure of the economy at the end of the apartheid era (the inheritance) must be regarded as exogenous to current government policy.

There are therefore questions to be asked about the speed and limits of changes in inequality (here conceptualised as the distribution of income among households). How quickly will changes take place? Will there be a new equilibrium level of inequality? If so, it is likely to be lower than at present, but will it be still at a relatively high level by international standards? Or will it decline more or less continuously over decades? Against the background of these questions, what would count as a good performance by a government trying to reduce poverty and inequality?

Answers to these questions will emerge over time.

Measurement is crucial. There are several sources of information, all of them incomplete and defective to some degree.

The art of measurement lies in painstaking reconciliation of information (which is sometimes years in arrears), supplemented by the use of judgement. Up to now, the margin of error has been much wider than one would like, making estimates controversial.

Information has, however, improved recently, partly because of new surveys inspired by a greater official interest in income distribution and poverty, and partly because (unlike the past 20 years of apartheid), the whole country is now covered in public and private sector sources. But the delays remain, and it will be some years before the changes in the first five years after apartheid can be identified.

Measurement must be informed by a sense of what one is looking for. So a discussion of mechanisms producing poverty and inequality outcomes is crucial, too. It is with a preliminary identification of these mechanisms that the current study is concerned.

1. THE MAIN COMPONENTS OF THE ANALYSIS

Whatever one thinks of the detailed arguments in Charles Tilly's *Durable Inequality,* the book at least raises an interesting and important question for South Africans: what are the social mechanisms which reproduce inequality over time? One possible answer to that question is that inequality of material outcomes merely reflects inequality of natural talents; that, of course, is not Tilly's view. His explanation makes use of the notion of categorical inequality (categories being constituted by asymmetrical relations across a socially recognised dividing line), with the associated mechanisms of exploitation, opportunity hoarding, emulation and adaptation. It is important to note that categorical inequality is not a feature of many standard models of a competitive capitalist economy.

Indeed, there is a degree of ambiguity in the implicit normative backdrop of Tilly's book: is it a perfectly competitive capitalist system or some form of social democracy? However, it is clear that a racially stratified society offers many examples of what Tilly expounds in general terms, and the index to his book shows that the number of references to South Africa is second only to entries for the United States (US).

Tilly's central concern in the book is theoretical, but he does offer the prediction about South Africa that:

> "Over the medium run, [the] shift in political power will most likely cause some equalisation in wealth, income, education, health, housing and living conditions across what had been one of the world's starkest divisions of categorical inequality" (p 228).

The "shift in political power" includes the dismantling of the racial estate system which underpinned a whole range of categorical inequalities. In fact, it is possible to argue (as John Kane-Berman does in his *Silent Revolution*) that these inequalities were being altered in the two decades before the abolition of apartheid as a political system. Much of this period can be characterised as a time of economic liberalisation. Moreover, the post-apartheid adjustment in the pattern of inequality will not be instantaneous, as Tilly implicitly recognises.

There is plenty to do to elaborate, debate and criticise Tilly's prediction. The issues include the following:

- *A discussion of the levels and trends of inequality in personal income and wealth*. While it is not the purpose of this study to add to the measurement literature, it is worth briefly recounting its main findings. Racial shares of personal income were first estimated by Lehfeldt from data for 1917; between then and 1970, racial shares were more or less constant, with Whites receiving about 70% of personal income, Africans about 20% and coloureds and Asians the rest (McGrath, 1982). Since 1970, these shares have shifted, with whites receiving about 52% in 1995, Africans about 34% and coloureds and Asians the rest. (These are the author's estimates. Whiteford and McGrath estimate the shares at 61% for whites and 28% for Africans in 1991. Some of the discrepancy between the estimates can be explained by the difference in the dates, but it is implausible that all of it can. Whiteford and McGrath relied on the 1991 Census, whereas the estimates for 1995 are put together from a number of sources.) Recent estimates of the Gini coefficient vary from about 0.58 to 0.68 for all households; the level for African households is not much lower. Narrowing relative gaps between the races may be accompanied by increasing relative inequality among Africans. Estimates of the proportion of households living in poverty depend on the poverty line used; the proportion below the least generous regularly calculated line (the minimum living level – MLL) is between 35% and 40%. The poverty gap (the money required to bring each household below the MLL exactly up to it) is of the order of 8% of personal income. The only study of the distribution of wealth we have, dates from the 1970s, when application of the estate-multiplier method by McGrath assigned 88% of personal wealth to Whites.

  Up to the mid-1990s, measurement has been made difficult by limited, spotty and often not very accurate data; analysts could do no more than produce synthetic estimates from a number of sources, and identification of trends has been (and remains) controversial.

  There is now greater government interest in collecting relevant information than there used to be: the October Household Surveys since 1994 (and particularly the Income and

Expenditure Survey which accompanied the 1995 October Household Survey) and the shortly to be released 1996 Population Census are all sources capable of shedding new light on the issues. The constraint now may be analytical interest and capacity rather than information.

- *An analysis of the determinants of income inequality*. The salience of race (found in all social, economic and political studies of South Africa) is greater than usual when it comes to the analysis of inequality. But there are other determinants to consider. A couple of decades ago, Adelman and Morris (1967) noted that mining-led economies tended to have high levels of inequality, and there is more recent literature on the subject (e.g. Auty,1997). This suggests that economies with high levels of natural resources in their exports grow more slowly than other economies, that policy error is more likely in resource-based economies, that periods of declining real wages are more likely to occur in resource-based economies (the "staple trap"), that income inequality is likely to be higher in low and middle income resource-rich countries than in their resource-deficient counterparts and that rates of human and social capital formation may be slow in resource-rich countries. This line of argument is not without its critics (just what are the mechanisms which produce these outcomes?) but may provide some insights into the South African case.

  Related issues arise from the structure of commodity-exporting, import-substituting economies with high tariff barriers, especially with an oligopolistic industrial structure. One can imagine a number of inequality-producing mechanisms in such a system. (And, indeed, there is literature on the political consequences of liberalising such a system and transforming it into an export-oriented economy. Some analysts – notably those who sought to explain the 1970s Latin American "bureaucratic authoritarianism" – see, for instance, Schmitter (1973) – have thought that this entails increasing inequality, with consequent dangers for democracy. What the consequence of the recent South African policy mix is for inequality is hard to predict. Orthodox fiscal and monetary policy and partial trade and capital account liberalisation have been accompanied by increasing labour market regulation – an unusual mix.) These debates have had virtually no resonance so far in the South African literature. But they are important, because they bear on the limits of feasible change.

  Also to be considered are the travails of upper-lower middle and upper middle income countries when it comes to sustaining growth. An alarming number of them have shown a tendency for real per capita incomes to fall over much of the period since 1980. Even the most promising category (East Asian) is currently stumbling in a way that was not anticipated a few years ago.
- *A debate about policies to reduce inequality and poverty*. Of course, within this broad band there is more than one way to specify objectives. Two aspects of policy need constant stressing in South Africa: (a) the unintended consequences of seemingly attractive policy options; and (b) an accurate assessment of available policy instruments. The method of analysing the consequence of state policies by predicting the best response of maximising individuals and firms to new policy rules is not in wide use; not surprisingly, a simple command and obedience model still satisfies most intuitions. Nor is there much of a sense of where the system is positioned on the equity-efficiency frontier. Even under apartheid, the fiscal system redistributed from white to black and from rich to poor, and recent reforms have strengthened the flow.

And what are we to make of efficiency where real per capita income fell by close to 20% between 1976 and 1994, and post-1994 economic growth has struggled to keep ahead of population growth? A sort of Zimbabweanisation of the South African economy (i.e., a situation where the private sector starts to collapse under heavy state intervention) must be regarded as an ever-present threat, but there is little in the way of analysis of political and economic factors which might keep South Africa from that path.

When it comes to policy instruments, state capacity is the key concern. One thing the current government has in common with its apartheid predecessor is a tendency to overestimate what the state can achieve. (This commonality arises as a consequence of a sort of *amour propre*, a comfortable self-justifying ideology, when a nationalist movement captures the state and uses it as an instrument for group enrichment. In the end, however, limited state capacity softened apartheid. It might also soften some of the less desirable policies of the new government.) Policy proposals in contemporary South Africa which require much state capacity to monitor and to intervene must be looked at with some scepticism when it comes to predicting their effectiveness.

From a political economy point of view, there is the danger that South Africa could end up in the way that David Landes describes Argentina in the 20th century:

> "Labour was not happy and took to those ideological nostrums ... which are the revenge of the powerless. This alienation [can be attributed] to the discrepancy between economic backwardness and social indifference on the one hand, political precocity on the other. The people wanted what neither economy nor state could give" (*The Wealth and Poverty of Nations*, WW Norton, 1998: 327).

A fourth direction of enquiry (and the one to which the rest of this study will be devoted) is to ask about the persistence of apartheid's footprint in the sand of poverty and inequality. Apartheid, in this connection, has to be conceived of as a set of state interventions (between 1948 and 1994) in the economy and society.

2. APARTHEID'S FOOTPRINT: GENERAL

In thinking about persistence, the following issues have to be confronted:

- Insofar as accumulations of wealth are the basis of persistence, in whose economic interests was apartheid? Lundahl and Wadensjo (1984), for instance, argued convincingly that whites were not uniformly the beneficiaries of apartheid and blacks did not uniformly pay the price. A complex pattern of differential incidence of costs and benefits have made compensation-based approaches to adjustments in the distribution of wealth and income practically impossible in most fields.

  It is worth noting that while compensation-type claims have been made post-1990, these have really consisted of (a) appeals for help from those currently with wealth, whether there is a real compensation claim against it or not and (b) moves in the predator–prey game between a new government and minority wealth holders. This game has a logic of its own, quite different from a compensation logic.

  Nor do compensatory adjustments necessarily point in the same direction as developmental policies; land reform is a case in point. Allocation of land in compensation for removals under apartheid will not necessarily further agricultural development. Survey evidence before the process started and current experience both indicate that such land may very well be used for residential rather than agricultural purposes.
- How rapid is the speed of adjustment once circumstance change? South Africa's relatively well-developed financial markets, for instance, are quite quick to adjust to new circumstances. Wealth in the form of claims to financial assets at some time in the future via pension or provident funds has accrued to many black people as (a) the occupational distribution has changed, (b) the access of black people to higher level occupations has increased and (c) industrial relations have become more modern. Accompanying this change has been the transformation of more than one trade unionist to an asset manager. Financial engineering of one sort or another quite rapidly gave black control to 10% of the assets on the Johannesburg Stock Exchange (JSE) in 1998. Beneficial ownership stood at about 4% at the same time. In February 1998, there were 53 black-led companies listed on the JSE with a total market capitalisation of R111 billion. The comparable figures at the end of 1996 were 33 companies with a market capitalisation of R58 billion; in November 1994 there were eight companies with a market capitalisation of R3.5 billion. These figures refer only to listed companies; the small business sector also includes many businesses run and/or owned by black people. (SAIRR, 1998). The high gearing exposes some owners to substantial risk; nonetheless, change testifies to the efficiency of South African financial markets.
- Apartheid cannot be conceived of as a uniform 46-year block of time. It took some years after 1948 for sufficient state control to be built up to implement key planks of the

initial National Party (NP) programme. The 1953 and (to a lesser extent) the 1958 elections were serious competitions and NP rule throughout the 1950s was subject to open extra-parliamentary competition. For only a dozen years (from the post-Sharpeville crackdown in 1961 to the Durban strikes in 1973) was there little sign of organised domestic black contestation. The Verwoerdian inelastic funding of black education introduced in 1954 came to an end 15 years later.

The tough stance on influx control was effective for only slightly longer – from the mid-1950s to the mid-1970s. Some effects of apartheid on inequality arose only in the period during which apartheid was in its clear and terminal decline – from 1984 onwards.

3. APARTHEID'S FOOTPRINT: SPATIAL SEPARATION

The most grandiose aim of apartheid was territorial separation of the races and, while the liberals argued that this goal could not be achieved (the attempt ultimately leading to the demise of the system), the effects of apartheid policy on the spatial distribution of the population were nonetheless great and their consequences should not neglected. Between 1960 and 1970, the net movement of Africans to the cities was stopped or even slightly reversed. From the 1950s on, there was a massive rural-to-rural migration from the "white" farms to the reserves/homelands/Bantustans/national and independent states. In 1950, 39% of Africans lived in reserves and 35% on the farms; by 1985, these proportions had changed to 53% and 12%, respectively. (There are some boundary changes to be taken into account; nonetheless, the change was spectacular.) Net emigration from the commercial farms may be continuing to this day. There were certainly interventionist pushes in the form of relocation of people from "black spots" (isolated reserve areas) as well as labour determined to be surplus on commercial farms. Technological change also meant reducing farmer needs for regular employees as well as casual workers and labour tenants.

Rising population density in the reserves led to a complex pattern of urbanisation there, ranging from formal townships and dense settlements on the fringes of some cities (Durban, Pietermaritzburg, Bloemfontein and East London), to "betterment villages" (rationalisation of agricultural holdings, with inhabitants settled in villages), and "closer settlements" (often sites to which people were removed from other areas). Formal settlement, together with informal settlement and the growth of single accommodation in hostels, created a complex spectrum (a recent Centre for Development and Enterprise study for the Department of Transport suggested a 14-item typology.) Some of this urbanisation must be regarded as "displaced", in the sense that people would have settled closer to the core urban areas had they been allowed to. Displacement means separation between people and work opportunities, creating a structural impact on unemployment.

The interesting thing about this configuration now, is its apparent stability. Anxious calculations about flows to cities were done in the years immediately before the repeal of the pass laws in 1986, but it now appears that urbanisation in the decade after that date was no faster (and possibly slower) than in the decade before it.

The stabilising factor seems to be mainly the investment people have made in housing (often equivalent to a year or more's wages) for which there is effectively no market. Transport (bus, and to some extent, rail) subsidies were also used to make commuting from displaced urban areas to centres of employment affordable, but these matter less with the rise of the private, unsubsidised taxi industry; the subsidies still exist but are spread in a way that is by now highly arbitrary.

Given a complex range of settlement forms, one really needs a defensible and empirically grounded settlement typology and an associated measure of "remoteness", to replace the current urban/non-urban distinction (based essentially on an administrative criterion) as an index of spatial disadvantage. The l996 Population Census offers new opportunities for analysis of this sort. Its some 86 000 enumerator areas are now mapped on to a geographical information system (GIS); the impetus for producing the GIS came not from the census itself but from the Independent Electoral Commission planning for the May 1999 election.

Reconceptualisation of South Africa's settlement geography could have a number of useful spin-offs, including forming a basis for a more coherent strategy for allocating public investment (and support for its continuing operation) outside South Africa's cities and large towns. The practical issue here is how far one can take rural development, and how one sequences and integrates it. Early Reconstruction and Development Programme (RDP) efforts all ran the risk of waste from lack of information and prioritisation. Moreover, maintenance of public investments is a major issue. It is only in the current 1998/99 financial year that rationalisation of central government grants to local authorities for operating expenditures has begun. The formula used for allocation reflected the fact that, within state budgetary constraints, it is possible only to support democratic institutions and to subvert operating expenditures on basic services to the poorest third of South Africa's households.

An associated (and currently unclear) issue is the current status of migrant labour, which splits households at least during the working week and often much longer. Apartheid, of course, encouraged it as a means of retarding African urban settlement. One of the early projects of the new government was to upgrade municipal hostels, often turning them into family accommodation. The indications from the 1995 October Household Survey is that migrant labour has contracted considerably, but this can be taken only as a provisional results. The answers to the question specifically about migrant labour do not add up and there remain worries about the October Household Survey's sample frame's coverage of (mostly male) "single" African households. The ratios of women to men in the preliminary results of the 1996 Census and in a recent Human Sciences Research Council survey from the Independent Electoral Commission are high (55:45) and suggest either that some men are systematically being missed or that adult male mortality is remarkably high. All this matters for income distribution because (a) methodologically, treatment of split households affects the computation of standard measures of income inequality and (b) substantively, a decline in migrant labour may leave remote rural communities more marginalised and without sources of income than before.

Indeed, from the point of view of empirically based analysis, the end of apartheid has meant the end of the apartheid ideal-type of the split household, with individual workers in cities and towns remitting to households of origin on the farms and in the homelands. Consider the case of E, a domestic worker with roots in the Ciskei, but working in Johannesburg. Under apartheid, it would have been natural to assume that a proportion of E's income (estimated from survey data) would have been remitted to a household in the Ciskei. E's current situation is a lot more complicated. She has four children: one daughter died in a taxi accident a few years ago, leaving E with a granddaughter (N) to look after. A second daughter, Y, is periodically mentally ill; she in turn has a daughter (T). Y sometimes gets a disability grant. When Y is well, she is able to look after N and T in a shack in Orange Farm, an informal settlement 50 km south of Johannesburg. They are joined by S, E's adult son and D, E's last son, still a child. E's three-generation family no longer has any component in Ciskei, though E's sister lives there and hosts E for her annual holiday. E, N, Y, T and D essentially depend on E's income, supplemented by Y's disability grant when it gets paid, and S's contribution (now the functional equivalent of the old remittance). S has considerable discretion over the allocation of his income; it by no means all enters the household pot. So he should be regarded as a separate household. There remain two households, as under the apartheid ideal-type, but the distribution of members between them are different, as are their spatial locations. Patterns as complex, or more so, may have developed in hundreds of thousands of African households, greatly affecting the demographic base for the distribution of income across households, but in ways that are not well understood.

4. APARTHEID'S FOOTPRINT: HUMAN CAPITAL

If the footprint of apartheid remains detectable in settlement patterns, it is also firmly imprinted on the current stock of human capital, another variable slow to adjust. South Africa's relatively poor endowment is well known: the rank order of South Africa on the United Nation's (UN's) human development index is well below its rank of gross national product, either in US dollar or PPP terms. Verwoerd got to work on "native education" before he formulated territorial apartheid as a key objective, and his words about its intended limitations as he introduced an inelastic funding formula have never been forgotten:

"[Racial relations] cannot improve if the

> wrong type of education is given to Natives. They cannot improve if the result of Native education is the creation of frustrated people who as a result of the education they received, have expectations in life which circumstances in South Africa do not allow to be fulfilled immediately, when it creates people trained for professions not open to them, when there are people who received a form of cultural training which strengthens their desire for the white-collar occupations to such an extent that there are more such people than openings available" (Second Reading Bantu Education Bill, 17 September 1953, Hansard 83: 3576).

In the longer sweep, however, he was unable to arrest the upward march of enrolments, and the long economic expansion of the 1960s with an associated increase in the demand for skilled labour destroyed the funding formula within 15 years of its introduction. By the end of the apartheid era, over 90% of children aged between seven and 16 were enrolled in school; the new government's objective of at least nine years of education for every child had largely been achieved by the time of its announcement. Such indications as are available suggest that pupils and students are relatively highly motivated, compared with their Australian and English counterparts. (This is not so surprising, given the lack of income support for able-bodied adults out of work and the fact that the chances of being unemployed drop significantly only with the achievement of some kind of qualification beyond the matriculation examination written at the end of twelve years of schooling.) Higher education enrolments expanded rapidly in the decade between 1985 and 1995; by the latter date, the ratio of higher education enrolments to the population between the ages of 20 and 24 was over 20%, placing South Africa's higher education system on the lower part of the mass higher education spectrum.

But the education and training system is desperately inefficient, despite the high budgetary priority given to it. The inefficiency is manifested in high school repetition rates (it takes the average African pupil 6.33 years to get through a five-year secondary school cycle) low matriculation pass rates (these have fallen in the 1990s, when it comes to university entrance passes) and dropouts from universities and technikons in excess of the number of graduates every year. Formal apprenticeship training has been declining for many years. The reasons for this situation are manifold and often intractable. They include the following:

- *The problems of equalising physical and human capital endowments per pupil.* At the end of apartheid, the pupil: teacher ratio in the African systems was about double that for whites, coloureds and Asians. Nearly all the classroom and facilities backlogs were in the African sectors. The small capital budget in the last years of apartheid was spent randomly; since then some progress has been made in directing capital expenditure where it is most needed. The adjustment of the teaching force and redeployment of teachers, however, has been fraught with difficulty, not surprisingly because the newly defined "surplus" was among minority groups in urban areas and the "deficit" among Africans in rural areas.
- *Institutional misalignment.* The Constitution specifies that primary and secondary schooling is the responsibility of provinces. However, salaries and conditions of service are set nationally, so the fiscal mechanism for aligning salaries and employment with available funds are missing. Settlements at the centre put pressure on provincial budgets. Salaries and conditions of service should be settled at the provincial level, and should be allowed to vary across provinces. But the unions will not hear of it.
- *Inexorable pressure of salaries on the total education budget.* The national/provincial budget constraint is weakly represented at the salary bargaining table; this, plus a salary system which is linked to qualifications, has meant massive upward pressure on teacher unit costs over the past 15 years (a period in which the removal of race and gender discrimination meant that everyone moved up to a formerly white male standard). This puts great pressure on complementary inputs such as (much needed) development of managerial capacity, text books and the like. So the input combination is far from optimal.
- *A cluster of problems for which the South African shorthand is "the culture of teaching and learning".* Time on task far below the norms began to be a feature of township schooling in the period after 1976, when fre-

quent turmoil disrupted classes. Radically shortened effective school hours continue in much of the system. In part, this is now a consequence of inappropriate incentives for teachers, who rapidly found that they had more time to improve their qualifications and thereby their pay. This development was accompanied by a breakdown of the school inspectorate who could easily be characterised as agents of the system. Poor pupil preparation meant that entry for the public matriculation examination came to be seen as a ticket for the jackpot, with payoff more a matter of luck than reward to effort.

- *Inappropriate system goals.* The new educational elite has been desperate to distance itself from the ideology of the old. Instead of Christian National Education, with its fundamental pedagogics, the emphasis now falls on outcomes-based education. The trouble is that there is no effective in-service teacher training system which can support this change of goal, which in general demands a higher level of skills and resources than the system can sustain. Under such circumstances, the resulting confusion can lead to a worse performance than ever.

One important development should be noted: the demographic pressure on the education system is starting to ease off. It looks as though the number of new entrants into primary school is dropping. This is the result of quite rapidly decreasing fertility (a necessary but, alas, not sufficient condition for moving up the middle income country ranks). The South African Total Fertility Rate is now not much more than 3, down from 5 two decades ago. The removal of the pressure from the primary and later the secondary schooling system is an unambiguously positive development.

The pressure is also off higher education, for a much less satisfactory reason: the recent slow growth in the number of pupils getting past the matriculation examination hurdle. The examination can be passed at two levels: university exemption (the higher level, usually required for entrance into universities) and school leaving (the lower level, adequate for entering technikons and colleges). Those passing with university exemption dropped from approximately 88 000 in 1994 to 69 000 in 1997 and in the past couple of years a number of universities have reported absolute drops in new enrolments, in contrast with a growth rate in the order of 5% per annum in student enrolments between 1985 and 1995. This eases the pressure on government subsidies to universities, which dropped fairly steadily in per student terms from 1985 to 1995. However, from a national human capital formation point of view, the recent development is seriously bad news in the light of the demand for a rapidly improving skills profile in the modern sector labour force.

Of course, the controversies about education and inequality find their application in contemporary South Africa. An optimistic egalitarian view sees education as equalising and as a common foundation for citizenship in a hitherto deeply divided society. But there are grounds too for seeing the education system as a mechanism for reproducing inequality, both natural and social. One front on which the battle has been joined has been the so-called Model C system, introduced in the last years of apartheid.

This sought to guarantee the position of suburban schools by vesting school assets in governing bodies, allocating state grants to payment of teachers according to a formula, and then permitting schools to employ additional teachers and operate additional facilities by levying fees and engaging in other forms of fund-raising. New educational elites were generally opposed to this system, and school assets have been re-nationalised. However, the education system has been unable to dispense with parental contributions; in that sense, the Model C system has been generalised throughout the entire system. The next development will be a move away from equal state support for all schools to a system of supplementary grants to schools for whom parental contributions are likely to be smallest. How far compensating state support will go, remains to be seen; special allocations are limited by the pressure of salaries on provincial budgets. There is also a question of how far it is desirable to go, given that suburban schools provide much of the best quality schooling. Resource pressure on the least well endowed of these may prejudice a source of successful matriculants without necessarily creating a combination of the quantity and quality of education.

Education and training have long been separated in South Africa, and in terms of government responsibilities they still are; supervision of training belonging to the Department of Labour. The integration of education and training at the “further” (i.e. post-Grade 9 level) is now government policy and progress has been made by developing a National Qualifications Framework and passing a Skills Development Act designed to increase the spread, effectiveness and portability of training. One difficulty (to be discussed more fully presently) is the wide gap in time between further education and training for young Africans. Further education characteristically takes place in the late teens. There is then a long period of waiting before a first job, and it may take some time after that for people to be put on training ladders. The policy response has been to develop low-wage “learnerships” (effectively a generalisation of apprenticeships) to try and speed up entry into employment and the acquisition of skills. It has yet to be seen whether this system can deliver at scale, but at least it tries to tackle the key social problem of youth unemployment.

5. THE LABOUR MARKET

A full assessment of the impact of the labour market on income distribution in general terms is not a task anyone can hope to undertake for South Africa at this stage. Peter Moll tested econometrically industry wage differentials against several labour market models of efficiency wages and rent sharing against evidence from the 1960, 1970 and 1980 South African Population Censuses (Moll, 1993). He found that the differentials could not be explained by rent extraction, gift exchange, union threat, unobserved ability, compensating differentials, shirking/monitoring or turnover models.

But there are some themes that more recent data can be used to explore. One is the transition from school (including higher education) to work. This is of great importance when dealing with unemployment, since slightly more than two-thirds of the unemployed have never had a job. There is a two-stage cumulation of advantage/disadvantage here. On the one hand, whites and Asians on average pass through the education system in little more than the minimum required time. Both groups experience relatively short periods of search for their first job. Coloured and African pupils progress through the education system more slowly coloureds, interestingly, have the lowest rates of attainment (so they leave the education system at much the same ages as whites and Asians), but they experience shorter searches for a first job than Africans. Africans leave the education system later and they spend a lot of time looking for their first job, which many find only in their late 20s.

Employment status affects marriageability for men, and 1995 October Household Survey data yield an estimate of the singulate mean age marriage for African men of 32 (the White male mean age is 25). Since most young South Africans (even whites) leave their households of origin only when they marry, this means that households bear the burden of youth unemployment. Indeed, many African households seem never to lose young people between the ages of zero and 15, even when the household head becomes very old.

This suggests that the key to tackling the unemployment problem lies in tackling it among the young. A shorter transition from school to work, with more emphasis on training in the early years of work at relatively low wages would induce a degree of substitution between younger, better educated workers and older ones, putting pressure on real wages and hence improving the prospects for employment growth. Modern time series econometrics shows how complex it is to make decent estimates of important economic magnitudes, such as the wage elasticity of employment; perhaps the recent Fallon and Lucas (1998) estimate of –0.71 for the average long-run wage elasticity of black employment is not too far from the truth. Of course, the impact of these developments on the economic growth rate would be hard to trace; even more complex would be the impact on the distribution of income between households, since greater employment of young men would lower the mean age at marriage and hence increase the number of households.

One trend in the labour market is clear: the tendency to a more skilled occupational structure in the formal sector. As the Table (*over page*) shows, the rate of growth of employment by skill category has been directly correlated with the level of skill for the past two decades, and the trend looks set to continue.

Low unemployment rates among the economically active with a post-matriculation qualification confirm a continuing thirst for skilled and highly skilled labour amidst a sea of unemployed semi-skilled and unskilled work-

Occupational distribution by skill level, 1973 and 1993

	1973	*1993*
	(thousands)	
Professionals and managers	212	488
Associate professional and technicians	271	495
Skilled clerical, transport and services, artisans, foremen and supervisors	1376	1954
Semi-skilled and unskilled	2947	2748
Total	**4806**	**5685**

Source: Manpower Surveys
Note: These surveys cover most of the formal sector outside agriculture.

ers. Breaking current constraints on skill formation (the unsatisfactory secondary school system, technical education system and industrial training system) will continue to be a potent strategy for reducing inequality, both in terms of changing relative wages and of providing an important complementary input for low or unskilled labour.

A new development in the South African labour market is the passing of the Employment Equity Act, modelled on US affirmative action practice. This requires companies (above certain size limits) to develop plans for improving the representation of "disadvantaged" groups among their employees. These plans are to be monitored and penalties (including fines) will be imposed on companies failing to meet their targets. The definition of "disadvantaged" includes a racial dimension. Critics of the Act deplore the reintroduction of race as a legislative category; they also point out that implementation of the Act is overly demanding of state capacity and introduces new opportunities for selective enforcement and downright corruption. Analogies with segregationist and apartheid policies of job reservation are drawn, and certainly the Act increases the potential for increased inefficiency in the labour market.

Proponents of the Act must assume that there is pervasive discrimination in the labour market for the Act to be necessary in terms of both equity and efficiency.

It is reasonably clear from the evidence that, if attempts are made to push upwards the representation of the disadvantaged in the highly skilled labour market beyond the improvements currently being attained, there will be serious adverse consequences. Supply constraints will imply the emergence of a segmented market, with substantial divergences between ages and marginal product, with the attendant economic efficiencies. (This has already been the consequence of rapid change in the composition of the civil service, as well as private sector attempts to produce a more politically acceptable employee profile.) The Act may well have a more useful effect on the lower end of the skilled market and particularly when it comes to recruitment to industrial training slots from matriculation graduates and other senior secondary schools leavers.

Complementing the medium and large firms affected by the Employment Equity Act are small and micro enterprises, of interest because of their potential to expand employment at relatively low capital/output ratios and to provide incomes for those with little formal education but some entrepreneurial talent. Issues relating to the promotion of smaller business include:

(a) the range of exemptions from taxes, levies, labour force regulation, complex accounting and the like
(b) an appropriate range of financial institutions capable of supporting them
(c) access to markets, which can be improved by suitable municipal regulations and town planning.

The current state of play with respect to (a) is complex and probably not optimal. In relation to (b), financing arrangements are improving, at least in urban areas. Rural areas are much harder to reach, and conditions may go backwards as well as forward (e.g. the closure of post office branches). There is something of a pendulum swing in relation to (c); apartheid – through rigid control of street trading, through segregated urban forms racially based on the number of enterprises and their location – made things difficult for small businesses, at least up to the end of the 1970s. An enthusiastic period of deregulation followed which brought its own problems (over-enthusiastic competition, increased unplanned pressure on services, etc.) which has led to a degree of re-regulation.

The increased market orientation of the 1980s brought with it an enthusiasm for the informal sector (not, in the end, a very helpful category) and the Central Statistical Service (CSS) started to measure its size from the early

1990s. The CSS includes domestic workers in this category; indeed, they make up nearly half of the measured total. There are also special occupational codes for the sector (traditional medicine practitioners and faith healers, sour milk producers and scavengers are some examples). The October Household Survey found 1 740 000 people employed in the informal sector, 413 000 of which were employees. The rest worked for their own account. Against the longer sweep of studies of the informal sector, one may ask whether a great deal has changed in the relation between it and the formal sector.

The total monthly contribution to gross domestic product (GDP) from the informal sector was estimated at R2.7 billion. (This comes to R321 billion for the whole of 1995, when the GDP was R431 million).

One cannot leave the labour market without consideration of the contentious issue of international migration. This can be divided into three components: skilled migration (potentially from anywhere in the world), unskilled migration (effectively from Southern Africa) and emigration. The desirability of at least some forms of skilled immigration is generally agreed, though opinion is divided between those who favour a US approach (where the criterion for entry tends to be a high endowment of human capital and permission to work tends to be general) and those – the majority – who favour a West European approach (where entry is restricted to specific sectors where shortages are identified).

The tougher problem is that of unskilled immigration from neighbouring countries. South Africa has a long and leaky northern and eastern border. From time to time estimates of illegal immigrants are produced based (if they are based in fact at all) on shaky and exiguous data. Some estimates have put illegal immigrants at five million (about one-eighth of the total population). Data on people by place of birth put the foreign born population at a much lower figure of 250 000. The truth is probably somewhere in between, but at the lower end the range. The difficulties of measurement are insuperable in present circumstances. South Africa has divided linguistic groups, so people can shuttle between segments of family networks with ease and informally naturalise themselves. There is a considerable trade in forged identity documents, so that informal naturalisation can become formal. Clusters of illegal immigrants can live on employer premises, shielding themselves from bouts of xenophobia that strike immigrant communities. Certainly many people are arrested for illegal residence, and there are detention centres and trainloads of deportees every year. As in the last years of influx control, there is a sense of futility in deportations when people who are determined to return do so (and with lower probability of detection than in the days of the pass laws).

It is hazardous to hold a view with certainty when so little is known, but the best conjecture seems to be that the rate of movement from neighbouring countries is low, for much the same reasons that the rate of urbanisation in South Africa itself is low. Urban unemployment and crime reduces attraction and the more remote the household of origin, the less likely that a migrant will find a network of support. Again, if impressionistic evidence is anything to go by, it is more likely that war and other forms of social unrest (including massive economic dislocation) will produce more immigrants than the usual disparities in economic conditions. From an income distribution point of the view the point is this: there is a potentially large supply of the poor from neighbouring countries and waves of them might be expected from time to time.

The pattern of emigration has implications for income distribution as well. South Africans who emigrate are, and will, be disproportionately drawn from the highly skilled and minority groups. South African emigration statistics do not capture the phenomenon adequately; a comparison between South African statistics on emigration to the five main receiving countries (United Kingdom, US, Australia, Canada and New Zealand) and the receiving countries' reports of immigration by South Africans shows large discrepancies. The actual movement tends to thin at the top end of the income distribution, reducing income inequality. However, the opportunity to emigrate (without actual emigration) keeps the income of highly skilled people tied to their international counterparts, placing limits on redistribution.

6. SOCIAL SERVICES AND REDISTRIBUTION

Social services have an impact on income distribution (if one takes the broad view and subtracts taxes from income and adds benefits from expenditure). The proportion of the national/provincial budget devoted to education, health, housing and welfare must be close to its ceiling, at nearly half total expenditure (including interest on the national debt). Funds allocated to economic services (roads, water, etc.) have been steadily squeezed in favour of social services. Education receives the greatest allocation and the low efficiency of expenditure has already been discussed. Health has been reallocating expenditure to primary services and opening new clinics, at the cost of putting serious strain on the major public hospitals. There have been fights over pharmaceuticals policy and tensions over a national health insurance scheme, the final details of which have not been announced.

Insofar as there has been a shift towards purchase of private medical insurance, some resources have been reallocated in this sector, though the full costs and benefits of policy reform are far from clear. Housing is interesting, in that policy during the 1990s has become more market-oriented than before; the bulk of housing expenditure takes the form of capital subsidies of up to R15 000 to low-income, first-time home-buyers.

The major reform in income maintenance is the planned introduction of a child benefit to replace a far from universal support system for abandoned mothers and children. The components of the income maintenance system have traditionally been:

- a non-contributory, means-tested old age pension (which reaches more people than any other component of the system)
- disability grants
- maintenance grants
- a small number of war pensions.

Maintenance grants are being phased out in favour of an important new income maintenance programme: the provisions of grants to the primary care givers of children under the age of seven. So far, the coverage of the new programme is very limited; as it increases, the resources required will become large, and some trade-off between the grants available to support old people and grants to support children will ultimately have to be made.

Changes since 1994 have made redistribution through state revenue and expenditure greater than before. The last estimate we have of redistribution through the fiscal system was made by McGrath *et al* using the Saldru/World Bank data of 1993/94.

It found that the taxation system is slightly regressive (taking a pre-redistribution household income – excluding pensions – Gini of 0.708 to between 0.715 and 0.722), but the pattern of expenditure is such that a marginal rand raised in taxation and then spent by the state is progressive (taking the post Gini down again to between 0.600 and 0.484). It is therefore not surprising that there are frequent calls (mostly by trade unions) for a relaxation of the government's objective to limit taxation to 25% and the budget deficit to three per cent (a target originally set for the 1999/2000 financial year). So far, the government has maintained its commitment to these goals, apart from a year's postponement of the realisation of the deficit target announced in October 1998 (and the achievement, while not perfect, has been reasonable) as a means for encouraging foreign investment and maintaining macroeconomic balance, for fear of being forced into International Monetary Fund (IMF) receivership. But there remains a not insignificant chance of a bout of macroeconomic populism in the next decade or two, and what that would bring is improved income distribution for a (short) time, followed by a long and serious hangover.

CONCLUSION

What will happen to South African inequality in the coming years? Two cases can be distinguished:

- Economic growth does not keep up with population growth, in which case impoverishment will be distributed – not necessarily – across the centres of economic activity in the country, and little or no spatial diffusion of income will take place. Emigration of highly skilled labour is likely to increase with attenuation of the upper tail of the income distribution; the lower tail will thicken as people fall out of a relatively high paying formal sector employment. The net effect on inequality is hard to predict under such circumstances, and it may depend on the measure being used.
- Economic growth exceeds population growth, in which cases some new centres of activity (e.g. the Maputo corridor between Pretoria and southern Moçambique) will emerge, spreading income. It is unlikely that

all the spatial development initiatives currently being planned will succeed, or that low incomes and employment levels in many parts of the country will not continue. Indeed, imperfections in the labour market will limit the diffusion of benefits from new developments, and islands of relative affluence in a sea of poverty will remain for decades. The sea should decline in relative terms to the rest of economic growth is well ahead of population growth. New developments will induce an inflow of skilled labour, thickening the upper tail of the distribution of income.

In either case, South Africa will continue to be a high inequality country with a somewhat unpredictable – and hard to measure – evolution of the standard indices of inequality. With rising real income per capita, it should be increasingly possible to reduce poverty by more extensive redistribution through the state budget. Should real income per capita fall, there is not a great deal of room left for the state to offset rising poverty. Overlaying the patterns in both cases will be the wider diffusion of human capital, which tends to decrease inequality. The strength of the human capital effect will depend on the quality of education which, unlike the spread, is not guaranteed to improve steadily.

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Minimising the Gap Between Rich and Poor Through Democratic Local Development Finance

Patrick Bond

I sympathise with those who would minimise, rather than with those who would maximise, economic entanglement among nations. Ideas, knowledge, science, hospitality, travel – these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible and, above all, let finance be primarily national.
John Maynard Keynes, 1933
(emphasis added)[1]

INTRODUCTION

This paper[2] was drafted in the immediate aftermath of the April 16–17 2000 "Mobilisation for Global Justice" protests in Washington, DC. But it is also very conscious of protests such as that which rocked Bolivia (leading to martial law) on April 12, when in Cochabamba the mass of the citizenry rose up in protest against a World Bank–designed water privatisation scheme that would have dramatically raised the cost of water to the average household – on average to 25% of income. Some 30 000 protesters in Washington, and tens of thousands in Cochabamba, shared the same premise: development and its financing should be a matter that is primarily national – and local in origin – and that must be determined in a democratic manner. These principles came into direct conflict with the International Monetary Fund (IMF), the World Bank, water privatisers (in this case, the British firm Bechtel) and indeed with the general overreliance placed today on international investment and finance for domestic development. (Similar critiques could be made of international trade and its regulation by the World Trade Organisation [WTO], but for reasons of space, this paper is limited to development finance issues.)

There are enormous problems in the world financial system, which have been the main reason for amplified global inequality since the early 1970s. Then, the difference between the lowest-income and highest-income countries was 1 to 30; today it is 1 to 90, according to the United Nations (UN). In absolute terms, the average African household today consumes 20% less than it did 25 years ago.

In South Africa, inequality has increased dramatically over this period as well, and not even the end of many artificial racial subsidies prevented South Africa from overtaking Brazil last year as the most unequal country in the world. There are many causes, but this paper focuses on global financial trends, and advocates their replacement with more aggressive access to local development finance. After considering the establishment of a post-war global financial system in 1944, we unpack the character of the economic crisis that enveloped the world, terribly unevenly, during the last quarter of the 20th century. We then consider the specific ways in which the IMF and World Bank have been called upon to manage the crisis. This raises the problem of whether a "world state" is indeed equipped, and can be equipped under the present balance of forces, to address global financial volatility in an equitable way. Instead, as the conclusion argues, it is through national (and in future, regional) processes of financial regulation (and domestic development financial mobilisation) that at least in the short run appear most logical as sites of progressive financial-market advocacy. To get from here to there entails, simply, campaigning to limit – not to reconstruct – the global financial apparatus.

The need for posing the problem of development finance initially in global terms, should be obvious, notwithstanding arguments that the 1997–99 stage of the crisis is over, with global financial disaster averted. A series of measures were taken to ease what many commentators, including then Treasury Secretary Robert Rubin, called the worst financial threat since the Great Depression. These included the successful public-private bailout of the Long Term Capital Management hedgefund, slightly looser Federal Reserve monetary policy, a new $90 billion IMF Contingent Credit Line, the convening of key countries in a Forum on Financial Stability and a "G24" group, and a modicum of debt relief for very poor borrowers (but with extreme neoliberal conditions attached, such as the quintupling of cost-recovery from Moçambique public health clinics).

However, the recent adjustments only averted – but did not extinguish – the most serious problems associated with financial volatility. Evidence abounds of growing tensions, including the recent 30% share crash of the highly-celebrated United States (US) economy's technology sector, not to mention vast US trade and budget deficits, dramatically overinvested consumers and corporations, and a New York stock market more overvalued than in 1929. (The rise of the gold price by 20%, from $255/oz to more than $300/oz, in just two days in late September 1999 was another indicator of speculative panic and underlying fragility.) The next set of currency crises, debt defaults, financial panics and associated geopolitical tension will again make the countervailing strategies under discussion in European churches all the more crucial. It is in that spirit that the paper commences with a look backwards.

1. GLOBAL FINANCIAL MARKETS AND ECONOMIC CRISES

We all have our own way of explaining the origins of the ongoing economic "crisis," by which I mean slowing world growth (though not slowing environmental decay), rising inequality between peoples, and extreme volatility in financial and commercial activity. Some date the problems to the mid-l990s realisation that "emerging markets", such as Mexico, were not as successful as had been advertised. Others cite to the phenomenon of "casino capitalism" which began during the mid-1980s. Some might take up the story in the late 1970s when the US dollar had to be stabilised through unprecedented interest rate increases. Others refer to the rise of unsustainable Third World debt during the 1970s. I want to go further back, even beyond the early 1970s emergence of global economic stagnation, or the late 1960s decline in the rate of profit in most G-7 industrial economies, to the origins of the Bretton Woods Institutions, and to their immediate capture by the US government. It is both the post-war construction of the "global financial architecture" by these institutions, and the subsequent (1970s–90s) shift of capital flows into financial markets, that together must be addressed.

In 1944, the Bretton Woods resort in New Hampshire hosted a conference of delegates co-chaired by Harry Dexter White representing the US Treasury, and John Maynard Keynes representing Britain (but more broadly, the interests of the vast majority of countries then in debt). The overarching problem was, simply, the restoration of Western economic superiority at a time when the Western capitalist classes were profoundly discredited (partly thanks to associations with Nazism) or were otherwise in political-economic retreat, and when socialism appeared a dangerous specter (not only because of the Soviet Union's durability but because communist and labour movements were resurgent in Europe).

Self-interestedly, White established the dollar as the world's primary currency and constructed the IMF and World Bank so they could be controlled from the White House and Treasury not only through deployment of leading officials but by exercising less than 20% of voting rights when required to veto lending activities contrary to US interests. Keynes lost many important battles over these arrangements. For although the Fund initially encouraged nation-state exchange controls so as to limit capital flight, the two institutions founded at Bretton Woods would soon reverse the formula suggested by Keynes in the opening quote, by promoting the "globalisation of capital" (as many now call it) over the "globalisation of people" (the objective of many of us on the opposing side). The IMF was meant to balance the accounts of payments between countries (through money exchanged in trade and financial transactions), while the World Bank would make injections of project finance starting in war-ravaged Western Europe, and later in the South. A few years later, the WTO's seeds were sewn in the founding conference of the General Agreement on Tariffs and Trade (GATT) in Havana.

But it was only in the late 1970s that the full significance of the Fund, Bank and GATT became evident, as financial and commercial circuits of capital grew vibrant and ultraprofitable, in relation to waning productive circuits, stagnating wage compensation, intensifying environmental degradation, and the crash of the living standards and cultures of South communities more generally. The financial/commercial dynamism can only partially be attributed to innovations in information technology, communications and transportation, and more properly should be understood as a logical response to national capitals' efforts to break loose from local markets once domestic recessions set in.

The dollar-gold fix underpinning international financial arrangements lasted just over a quarter century (1944–71), until US transnational corporate investments and the Vietnam War caused sufficient currency outflow that Richard Nixon felt compelled to dishonour the US commitment to pay an ounce of Fort Knox gold to anyone abroad offering $35 in cash (this default was the largest ever recorded, at some $80 billion). The dollar fell against major currencies through the 1970s (and once delinked, the gold price soared); Western GDP growth and corporate profit rates declined; inflation emerged as a dilemma especially for bankers (for whom this presented an unacceptable devaluation of money, their stock-in-trade); and levels of consumer, corporate and state debt rose to unprecedented heights. Until 1979, inflation-adjusted interest rates were negative, and Third World leaders also suffering high oil bills, declining commodity prices and stagnant export markets saw only the short-term benefits of debt, not the danger that Paul Volcker's Federal Reserve would raise their repayment burdens to impossible levels by the early 1980s.

At the root of the crisis was what some scholars argue is a general tendency to capital "overaccumulation".[3] It refers to the inexorable rise in capital intensity in production, that in turn generates vast amounts more production than can be profitably consumed. This condition is usually a precursor of massive debt buildup and speculation – and subsequent depression – and has recurred periodically (1825–45, 1872–92, 1929–48, and 1973–present).[4] Consequent with growing gluts in local and then global markets, the supply side of capital responds to falling profit rates by seeking higher returns in increasingly speculative financial outlets. On the demand side, ever-amplifying "uneven development" (systematic inequality) assures that the growing crisis can be "displaced" (moved around, across space and through time), permitting flows of funding to switch from one to another circuit of capital, sector of investment, geographical location and even scale of activity (from local to global and back). Financial markets are central to this process for they facilitate near-instantaneous movement of capital across the world, and they convert an obligation to pay in cash now for consumption into a future liability, so that gluts of overproduced commodities can be (at least temporarily) whittled away by credit.[5]

This understanding of the roots of the crisis is increasingly adopted by critics of the world economy based in the "semi-periphery," including those in the Jubilee 2000 movement. To illustrate: here in South Africa, a brief resurgence in official progressive discourse emerged in October 1998, as leading intellectuals of the African National Congress, South African Communist Party and Congress of South African Trade Unions announced in an official discussion document:

> "The present crisis is, in fact, a global capitalist crisis, rooted in a classical crisis of overaccumulation and declining profitability. Declining profitability has been a general feature of the most developed economies over the last 25 years. It is precisely declining profitability in the most advanced economies that has spurred the last quarter of a century of intensified globalisation. These trends have resulted in the greatly increased dominance (and exponential growth in the sheer quantity) of speculative finance capital, ranging uncontrolled over the globe in pursuit of higher returns."[6]

Likewise, in a March 1999 paper delivered in Bangkok, the leader of the Korean Confederation of Trade Unions, Koh Young-joo, insisted:

> "The intensification of the fantastic and imperialistic neoliberal offensive and the economic crisis is the dual expression of one entity: the overaccumulation of capital since the 1970s. The global economy is characterised by overproduction and a decline in the rate of profit. Efforts of capital are concentrated on increasing the rate of profit, leading to greater monopolisation. And the global monopolies and their metropoles are intent on driving out state intervention in the process of reproduction. This is what is undertaken under the name of 'deregulation'. Furthermore, the decline in the rate of profit due to overproduction has meant that capital can no longer find sufficiently profitable areas for investment in production or distribution. This has forced capital to turn to speculation. The birth of mammoth speculative capital, fostered by the changes in global financial practices, has transformed the system into a 'casino capitalism'."[7]

In short, world financial markets have provided one secret to elite "management" of the global economic crisis, and have amplified the enormous shifts in asset-inequality across the globe over the past two decades.

In very real ways, displacement meant that when bubbles burst – the Third World debt crisis (early 1980s), energy finance shocks (mid-1980s), crashes of international stock (1987) and property (1991– 93) markets, and the long, terribly deep crash (from 1973–99) of non-petroleum commodity prices, not to mention a spate of bank failures[8] – it was feasible to shift the costs on to those less powerful. Hence the collapse of several decades' worth of ordinary people's living standards across the South since the late 1970s, in Eastern Europe since the late 1980s, and in emerging markets since the mid-1990s – as felt particularly by workers, peasants, women, children, the elderly, indigenous group and disabled people, as well as environments.

But it is to the original architecture of global finance that we must return to get a better sense of how weak the foundations now appear. In sum, we are left considering how an "embryonic" global state emerged from the Bretton Woods Institutions, yet how instead of effectively regulating the structural economic crisis that began during the 1970s, these institutions merely served as crisis managers.

2. THE IMF AND WORLD BANK AS CRISIS MANAGERS

The IMF and World Bank likewise acquired a qualitatively new role during the 1980s–90s: coordination of power over both economic policy making and financial/aid flows in subordinate countries (though still through the overall permission of the US Treasury Department and consistent with the State Department's agenda). Fund and Bank coordination has meant not merely the certification of countries' policy makers as sufficiently pro-market (i.e., especially welcoming of currency devaluation, state shrinkage, loss of national economic sovereignty, and inflowing financial, trade and foreign direct investments, partly to capture privatised assets at healthy discounts and partly just to speculate).

From the early 1980s, the Fund and Bank also played a crucial debt-policing role, firming up the weakened balance sheets of those Northern commercial banks and investment funds which stood exposed due to the demise of unpopular client-dictators during the 1980s, and then late 1990s "emerging market" stocks, bonds and property.

Fund/Bank bailouts were arranged so that New York, London, Frankfurt, Zurich and Tokyo banks could recover (and indeed prosper) from 1980s-era Third World debt (which remained on the liability side of borrowers' balance sheets), as well as from the devastation of currencies associated with speculative runs on Mexico (early 1995), South Africa (early 1996 and mid-1998), Southeast Asia (1997-98), South Korea (early 1998), Russia (periodic but especially mid-1998) and Brazil and Ecuador (early 1999).[9]

Professional and intellectual justification was required, so Keynes' national economic managerialism was simultaneously replaced with laissez faire "neoliberal" philosophy beginning in the late l970s (consistent with the liberalising interests of international financial/commercial capitals, as against protectionist and inward-oriented interests of many domestic productive capitals). The "Washington Consensus" – a worldview imposed by the US Treasury, US Federal Reserve, Fund, Bank and associated think-tanks – insisted that the alleged merits (future growth and prosperity) of free market "structural adjustment" outweighed the enormous short-term economic, social, gender, generational, public health and environmental costs.

The point should be clear: the Fund and Bank are central to crisis displacement (never resolution). They carry out their mandate in a way that entails both universal suffering by subordinate classes and the environment, and – in the wake of the April 16–17 protests in Washington – prospects for a somewhat more generalisable resistance strategy. For even if the Fund/Bank represent merely institutional vehicles through which crisis displacement and uneven capitalist development are coordinated, they are exceptionally important targets, at least until more serious challenges are generated by shopfloor, community, feminist and environmentalist protest to local and global manifestations of the mode of production itself. Indeed, as I will conclude, campaigning to abolish the Bretton Woods Institutions and the interests they serve, offers an exceptionally good focus for global social progress.

Yet there are those who would reform and strengthen the Fund and Bank, rather than lobby to shut them down. Some in Jubilee 2000 North chapters (US, United Kingdom [UK], Germany and Japan, although exceptions exist in Canada and Scandinavia), for example, have viewed the current upsurge in protest as an opportunity to lobby for a greater, not lesser, role for the Fund, Bank and their discredited Highly Indebted Poor Countries (HIPC) debt relief initiative. In contrast, the Jubilee South initiative dawned in 1999, uniting the best debt movements across the Third World, and explicitly rejected HIPC (see the link at www.aidc.org.za).

Jubilee South finds itself spending an unfortunately excessive amount of energy and time arguing *against* the highly-conditional, half-hearted reforms of world financial markets sought by some Jubilee Northerners, who rely for political direction less upon voices from the South, and instead, excessively upon discredited economists like Jeffrey Sachs – whose shock tactics have had such a devastating impact upon the South and East, and who continues to promote sweatshop labour conditions as consistent with sound international economics.

One danger that is often raised, especially in Europe, is that the Far Right is also against reform of the Bretton Woods Institutions. Aside from predictable hard-right rabble-rousers, even high-profile establishment conservatives began calling for the Bretton Woods Institutions' closure in the wake of hapless East Asian crisis management.[10] Subsequently, the Republican-dominated Meltzer Commission reported to the US Congress in March that the Fund and Bank are so badly warped that they must shrivel, quite dramatically, before being straightened out. On such terrain, it is not unusual to find tactical intersections where Right meets Left. These are certainly worth worrying about, although a key Left navigator – Nader advisor Rob Weissman of *Multinational Monitor* magazine – insisted recently:

> "For now, we're so relatively powerless compared to [the Fund and Bank], our primary mission is to restrain their power. So it's less important to focus on the day when we run global institutions than on limiting the harm that they do."[11]

If running part of a world state remains out of the question, progressive strategists are faced with the crude choice captured in the US slogans "fix-it" versus "nix it." Fixers correctly argue that the Fund and Bank have been pressured to adopt reforms over the past 15 or so years. Nixers rebut that these must be measured against the worsening scale of eco-socio-economic damage done over the same period of crisis displacement.

In five areas – environmental protection, gender awareness, transparency, community participation and post-Washington Consensus economics – reformers can claim limited victories. But those very wins have provided the Bank and Fund a coat of whitewash, barely disguising their thoroughgoing dedication to hardcore neoliberalism with talk of sustainability, in the process dividing unsophisticated opponents. Empowered by the Bank's plagiarism of non-governmental organisation (NGO) rhetoric, some inside-Beltway policy wonks (e.g., in the often admirable international advocacy office of Friends of the Earth) are even suggesting a dramatic switch in Bank lending towards sectors like basic education. The slogan thus invoked – "Public funds for public good" – is fundamentally misguided, we must conclude below.

How far can such reforms go? Reflecting the realpolitik of institutional constipation, it is now widely acknowledged that late last year, maverick Bank chief economist Joe Stiglitz – who during his 1997–99 term was roundly despised by IMF and US Treasury bigwigs – was indeed pushed overboard. (Stiglitz diplomatically claimed to have jumped ship, in order to have more freedom to launch his critiques. including a scathing *New Republic* attack on incompetent Fund economists during the April 16–17 protests.) According to a reliable Bank insider quoted in the February 2000 *Left Business Observer:* "Summers made it clear that if Wolfensohn wanted a second term as World Bank president – to start on June 1, 2000 – Stiglitz had to go."

In sum, thanks to the combination of deeply unsatisfying reforms won to date, the sour-grapes Stiglitz departure, and a letter by 22 "Interaction" development NGOs distancing coopted NGOs from the April 16–17 protests, organisers in the Mobilisation for Global Justice have sought out and achieved a rare clarity of strategic purpose. Likewise, the Third World guru of international economics, Walden Bello (director of Focus on the Global South in Bangkok), has recently explained his shift to a pro-abolition position:

> "Seventy per cent of the Bank's non-aid lending is concentrated in 11 countries, while the Bank's 145 other member countries are left to divide the remaining 30%. Moreover, 80% of World Bank resources have gone, not to poor countries with poor credit ratings and investment ratings, but to countries that could have raised the money in international private capital markets owing to their having investment grade or high yield ratings. In terms of achieving a positive development impact, the Bank's own evaluation of its projects shows an outstanding 55-60% failure rate.
>
> The failure rate is particularly high in the poorest countries, where it ranges from 65% to 70%. And these are the very countries that are supposed to be the main targets of the Bank's anti-poverty approach ... Rather than expect the highly paid World Bank technocrats who live in the affluent suburbs of Northern Virginia to do the impossible – designing anti-poverty programmes for folks from another planet: poor people in the Sahel – it would be more effective to abolish an institution that has made a big business out of 'ending poverty', and completely devolve the work to local, national and regional institutions better equipped to attack the causes of poverty."[12]

3. GETTING FROM HERE TO THERE

If the IMF and World Bank do not offer hope for regaining control of capital markets, can we expect more from nation-states, guided by mass popular movements? This question can be considered with selected examples from the North and the South.

By no means a mass movement, the German PDS offers a visionary – perhaps unrealistic – argument for intervention at the nation-state scale (using the G-8 as a basis for coordination), in a manner that could help regain control, nationally, over global financial markets. In a motion tabled in the German Bundestag in May 1999, the PDS called upon the government to take measures including the following:

- Within the G8 framework, to take steps to curb short-term speculation on the financial markets, *inter alia,* through a combination of the following measures by:
  – introducing a currency exchange transactions tax (Tobin Tax). All transactions which result in an immediate exchange of currency must be taxed at a standard proportional rate of 0.25% on the full volume of their monetary value.
  – introducing special compulsory minimum reserves for non–project-specific bank credits, i.e. for bank loans which are not earmarked for specific purposes (e.g. the purchase of consumer goods, investments, trade finance, etc.). As speculation is generally undertaken with borrowed rather than own funds, it may be assumed that these credits – especially to hedge and investment funds – are used primarily for short-term financial speculation. The banks will pass on the costs of holding the reserves to borrowers, thereby pushing up the price of the financial commitment and reducing the investment.
  – imposing a charge on non–interest-bearing or low-interest cash deposits when importing or exporting capital, thus adding more to the cost of such transactions than the percentage levied by a Tobin Tax. A sliding scale of charges may be imposed in

line with the type and/or the term of capital flows: high rates would apply to short-term, high-risk accounts, while low rates would be charged on long-term, lower-risk investments.

- With the objective of improving banking supervision, to take initiatives to:
  – enhance transparency by ensuring that off-balance sheet transactions (especially with derivatives) are identified and included in risk calculations.
  – tighten the own capital regulations for banks and extend them to all types of financial institutions. The assessment and calculation of credit risks must no longer be left to these institutions – as has hitherto been the case – as this reduces the own capital security of the credit operation. The own capital regulations for credit institutions must be applied more rigorously to derivatives transactions, and risk-weighted minimum reserves must be introduced for transactions by investment funds
  – introduce compulsory insurance for international loans, so that private risks are insured on a private basis and losses are no longer passed on to the tax payer, as is the current practice
  – abolish offshore finance centres, or to penalise banks and financial institutions that do business with these offshore centres.[13]

These are laudable objectives, which should (in my view) be pursued by movements in the North which are trying to help limit the destructiveness of financial markets. However, it is always important to observe the principle that international problems – like development finance – must be addressed with and through the democratic social movements of the South. Unfortunately, this is not easy, for aside from Jubilee South and visionary NGO networks such as Third World Network, Focus and a few others, insufficient thought has been given to how the existing mass-popular resistance to global financial turbulence – mainly one-off "IMF Riots" that are rarely coordinated to challenge state power and neoliberalism more generally[14] – can evolve into more durable, democratic movements combining progressive critiques and indigenous organising processes.

Can the states of the South serve as reliable allies? At times, Third World nationalism has sounded resurgent (as in Venezuela under Chavez) but this tradition just as quickly fizzles out once Fund/Bank screws are tightened, or worse, turns inward to repress the Left (as in Mahathir's Malaysia and Mugabe's Zimbabwe). Again and again, what appeared to be leaders and political parties of Second and Third World societies who at one point (at least momentarily) carried the aspirations of a mass-popular electorate, rapidly reversed allegiance, imposing ineffectual and terribly unpopular structural programmes.[15]

More hopeful signs include the emergence of Zapatismo in 1994, Korean workers' fight back against IMF restructuring, periodic mobilisations by the Brazilian Movement of the Landless, the graduation of India's National Alliance of People's Movements from world-class protests against dams and genetic engineering to campaigns against neoliberalism more generally (including Bill Clinton's recent visit), this January's uprising of Ecuadoran Indians against neoliberalism, February's emergence of Thailand's Forum of the Poor at a major UN Bangkok meeting, and the dramatic April revolt of Bolivians against water privatisation.

Though none generated conclusive victories (due invariably to an unfavourable national balance of forces), they provide important if incomplete lessons for other protest trajectories, alongside recent North-led campaigns to halt the Multilateral Agreement on Investment, ban land mines, halt toxic waste dumping, and prevent the WTO from launching its Seattle round.

This forces us back to the problem of the scale at which we can realistically expect to reconstruct a more sane system of development finance. As one famous German radical, Karl Marx once asserted, prior to constructing world socialism, each working class must first deal with its own national bourgeoisie. That position incorporated a fairly advanced critique of early colonial-globalisation, which may have relevance today. Global deconstruction and national reconstruction may be a useful formula with which to begin to conclude. For implicit in the argument sketched out above is that the nation-state requires space out from under the boot of global financial capitalism, especially the spiked heel represented by Fund/Bank missions that so decisively squeeze and shift power relations at the domestic scale.

And there are no shortage of national-scale class and political struggles. During the late l990s, mass strikes by national workers' movements shook Nigeria, Indonesia, Paraguay, Taiwan (1994); Bolivia, Canada, France (1995); Argentina, Brazil, Canada, Greece, Italy, South Korea, Spain, Venezuela (1996); Belgium, Colombia, Ecuador, Haiti, South Korea (1997); and many other important sites of East Asian, East European, African and Latin American proletarian suffering when neoliberal economic disaster intensified in 1998–99.

In sum, while every national setting provides its own particular challenges, the broad logic of progressive national movements aiming to redress problems of neoliberalism, invariably leads to Washington. Unity and overlaps between these movements are increasing, and, I want to conclude, can best be advanced by building international solidarity to delegitimise, defund and decommission the Fund and Bank – which will, in the process, raise questions about the politics of scale associated with a more liberatory form of development finance than could ever conceivably be on offer from the Fund and Bank. To consider this argument even briefly entails a review of post-apartheid South Africa's experience.

Three universal reasons have emerged here for nixing the Fund/Bank (there are also reasons drawn from specific project and policy experiences too numerous to explore here):

- Virtually all possible core value reforms in key areas of Fund/Bank eco-socio-economic advocacy have been explored, and the profound limitations unveiled.
- There is a greater urgency to restore nation-state sovereignty (and hence mere bourgeois democracy, which has also ebbed), mainly through lifting Fund/Bank pressure, than there is time to convince several tens of thousands of hardened Washington economists to reverse the policy advice that has defined their worldview since grad school.
- The hard-currency component of Fund and Bank lending should not be required once appropriate conditions are achieved.

This latter argument deserves justification, for if local, national and regional development finance is appropriate, then the technical (not political, moral, environmental) reasons to have a Fund and Bank evaporate. Such was the viewpoint of the African National Congress (ANC) in its 1994 Reconstruction and Development Programme (RDP), in a sentence won only after much left-wing lobbying:

> "The RDP must use foreign debt financing only for those elements of the programme that can potentially increase our capacity for earning foreign exchange."

(The ANC broke more than one such promise, but it is the principle here that is worth careful reflection.)

The motivation for rejecting hard-currency loans for "development" was the ANC Left's fear of the rising cost of repayment on foreign debt, once the currency declines, and the use of hard currency to pay not for initiating a basic education project but instead for:

- repaying illegitimate apartheid debt
- importing luxury goods for the rich
- replacing local workers with inappropriate job-killing, dependency-inducing technology from abroad.

In sum, why take a US dollar loan for building and staffing a small rural school that has virtually no foreign input costs?

If real development comes from local resources (only a tiny fraction of basic-need inputs in most developing countries require foreign loans), and if the hard currency needed to import petroleum or other vital inputs can usually be readily supplied by export credit agencies (competing against each other, in contrast to centralised financial power and coordination in Washington), the basic rationale for the World Bank falls away. And instead of relying upon the Fund to maintain a positive balance of payments when fickle international financial inflows dry up or run frightened away, Third World countries that climb out (in future) from under the heel of the Fund and Bank could realistically impose Malaysian-style exchange controls and tax unnecessary imports. (They would also have more freedom to default on illegitimate debt.)

In short, the South ultimately should not need a dollar-denominated Fund and Bank for development. Indeed, it is probable that only when Washington's institutional power fades that local-level, national and perhaps regional development finance officials can reacquire the ability they once enjoyed, a few decades ago, to tame their own financial markets. (Such "financial repression" entailed state interest rate subsidies, directed credit, prescribed asset requirements on institutional investors, community reinvestment mandates and other means of socialising financial capital.)

The one remaining point to make is the easiest, most practical answer in this article: is defunding actually feasible? The same question was asked of anti-apartheid financial sanctions advocates, and answered in the affirmative in 1985, just a few years after campaigning became serious. In addition to defunding the Fund through popular pressure on national parliaments (mainly in Europe, the US and Japan) to deny further resources, activists returning from the April 16 protests began taking advantage of the Bank's extreme reliance upon international bond markets.

Nearly 80% of Bank funds for onlending come from bonds, making it the most compelling pressure point and local handle for the medium-term struggle. Hence, a "World Bank Bond Boycott" initiated by Haitian, South African, Brazilian and many other activists and debt campaigners across the world, was launched on April 10 (www.worldbankboycott.org/). Berkeley City Council offered the initial commitment that its municipal fund managers would not buy Bank bonds (they were also the first municipality to record anti-apartheid divestment). All investors of conscience – churches, pension funds, university endowments, individuals – are being asked not to profit from poverty and ecological destruction through increasing their portfolio's World Bank bond holdings. In particular, the Rainforest Action Network combined with the boycott campaign to target Citibank for its Bank bond marketing.

In coming months and years, activists will prove the power of international coordination, as they did using the financial sanctions that demonstrably helped sink the Botha and De Klerk regimes in Pretoria. Defunding the Fund and breaking the Bank can dramatically improve global and local power balances, open tip radical development finance alternatives, and contribute to an internationalist solidarity unfettered by controversy over reform of the Bretton Woods Institutions. April 16 gave thousands of activists an initial opportunity to run on the Bank and Fund. The follow up challenge is to keep the institutions running, until they drop of exhaustion.

CONCLUSION

For the Southern African Catholic Bishop's Conference (SACBC) and allies, in my view, the challenge is to not only understand the global financial markets from a critical perspective, but to contemplate the full set of contradictions associated with reform. This requires considering what has worked (if anything), what hasn't worked, and – maybe most importantly of all – what people affected in the South are saying about debt relief, a new financial architecture, social clauses in trade, etc.

I am honoured – as a mere academic – to have been asked to provide a paper that helps to contextualise the struggle for democratic, locally controlled development finance, which I hope I have demonstrated is central to the broader struggle for an end to neoliberalism, and in the process for an end to socio-economic inequality.

Given its history and its current position amidst society's poor and oppressed, the SACBC is well situated to take leadership on these matters. Even if the style of church-based campaigning may not coincide with that expressed a month ago on the streets of Washington and in the main plaza of Cochabamba, Bolivia, nevertheless the spirit you enter this conference with, will surely be in solidarity and harmony with those who have had enough of global financial markets, and who now – like Keynes in 1933 – want to give democratic, domestic development finance a chance.

ENDNOTES

1) J. M. Keynes, National self-sufficiency, *Yale Review,* 22, 4, p.769.
2) Versions of the paper were presented at a Kairos Europa conference, Regaining Control of Capital Markets, Bad Muenster am Stein, German. Several Washington, DC seminars in April. A version will be printed in *Monthly Review,* New York, June 2000.
3) In addition to Robert Brenner's more recent statement of the evidence (see *Turbulence in the World Economy,* London: Verso, forthcoming), earlier discussions about the 1 970s–80s economic crisis, such as Simon Clarke, *Keynesianism, Monetarism and the Crisis of the State* (Alders and Elgar, 1988, pp.279-360); David Harvey, *The Condition of Postmodernity* (Oxford: Basil Blackwell, 1989, pp.180-197); Ernest Man. Theories of Crisis: An Explanation of the 1974–82 Cycle, in M. Gottdiener and N. Komninos (Eds), *Capitalist Development and Crisis Accumulation, Regulation and Spatial Restructuring* (London: Macmillan, 1989, pp.30-58); Keith Armstrong, Andrew Glyn and John Harrison *Capitalism Since 1945* (Oxford: Basil Blackwell, 1991, pp.169-260).
4) See, e.g., Christian Suter, *Debt Cycles in the World Economy* (Boulder: Westview Press, 1992).
5) The theory is developed in David Harvey, *Limits to Capital* (London: Verso, 1999), and applied in at least one national setting in my *Zimbabwe: 4 Study of Finance, Development and Underdevelopment* (Trenton: Africa World Press, 1998).
6) NC Alliance, The global economic crisis and its implications for South Africa, Discussion Document, Alliance Summit, Johannesburg, Oct; 998, p.4, reprinted in the *African Communist,* Third Quarter 1998.
7) Soh Young-joo, Alternatives to the ‘Corporate State'? Paper presented to Conference on Economic Sovereignty in a Globalising World, Bangladesh: 24, 1999.
8) Sometimes devaluation of financial assets backlashed, however. Late-1990s examples of gambles gone very sour in derivatives speculation, exchange market positions, currency trading, and bad bets on commodity futures and interest rate futures include Long-Term Capital Management Q (1998), Sumitomo/London Metal Exchange 1.6 billion) (1996), I.G.Metallgessellschaft ($2.2 billion) (1994), Kashima Oil ($1billion) (1994), Orange County, California ($1.5 billion) (1994), Barings Bank ($900 million) (1995), the Belgian government ($1 billion) (1997). Bank of Switzerland ($690 million) (1998).
9) As expressed in the 1998 Annual Report of Standard Chartered Bank, recent forex profits generated “outstanding” results: “We have a world-class team and their ability to continue trading, during periods of high volatility in the foreign exchange markets, resulted in exceptional dealer stability.” (Standard Chartered Bank, *Annual Report 1998,* London, 1999, p7.)
10) Cato Institute, www.cato.org/researchlglob-st.html; Henry Kissinger, IMF no longer able to Deal with Economic Crises, *Los Angeles Times* Oct 4. 1998; George Shultz, William Simon and Walter Wriston, Who needs the IMF? *Wall Street Journal,* February 3, 1998.
11) http://www. intellectualcapital.com/issues/issue3 64/item9O48 .asp
12) Walden Bello, Meltzer Report on Bretton Woods twins builds case for abolition but hesitates, *Focus on Trade,* 48. April 2000.
13) PDS Parliamentary Group, A social and democratic world economic system in place of neo-liberal globalisation, Printed paper 14/954, Bundestag, Bonn, 4 May 1999.
14) John Walton and David Seddon, *Free Markets and Food Riots* (Oxford: Basil Blackwell, 1994).
15) Very different circumstances prevailed, amidst very different ideologies, but this fate befell, among others, Aquino (Philippines), Arafat (Palestine), Aristide (Haiti), Bhutto (Pakistan), Chavez (Venezuela), Chiluba (Zambia), De Jung (South Korea), Havel(Czech Republic), Mandela (South Africa), Harley (Jamaica), Megabat (Indonesia), Musoveni (Uganda), Mugabe (Zimbabwe), Nujoma (Namibia), Ortega (Nicaragua), Perez (Venezuela) Rawlings (Ghana), Walensa (Poland) and Yeltsin (Russia).

Globalisation: Facts, Problems, Prospects

Elroy Paulus

INTRODUCTION

Our concern to develop meaningful and sustainable interventions, requires of us to develop an understanding of the impact of globalisation in South Africa and our neighbouring countries.

It is my hope that the information gained at this conference will challenge and remind us afresh of the daunting task we face, as people concerned about the needs of the poor. In terms of doing justice to the topic, this paper aims to address briefly and encourage debate about the following:

- Highlight the problems in defining globalisation and propose a workable definition.
- Sketch background for the current situation – the role of the Bretton Woods Institutions.
- World perspectives on providing alternatives to narrow the income gap – the work of the Social Watch Initiative.
- Developing objective criteria for monitoring equity.
- The unique challenges, contradictions and problems of South Africa's Reconstruction and Development Programme (RDP) and Growth, Employment and Redistribution (Gear) strategy.
- The role of the nation-state.
- The challenge for community participation in addressing the challenges.

1. A WORKABLE DEFINITION

In understanding the term "globalisation", it is important to examine how various people view it. Today, it is a term that is widely used. When people see foreign tourists in South African hotels, CNN news on our television, or Hyundai motorcars on our roads, they may say that this is "globalisation". When soccer fans hear that our best players are joining clubs overseas, they may complain about globalisation. When one finds in one's inbox 25 new email messages from around the world, one may praise the wonders of globalisation. When workers hear that new machinery is arriving and there may be retrenchments, they may blame globalisation.

Let's look at how some people/institutions – some in support of and some opposed to it – view globalisation. The examples are extensive, but demonstrate clearly the dilemmas and perspectives.

> "An activist in Cape Town told how he woke up one morning and found the body of a dead man in his front garden. Apparently the man had been murdered during the night. The murder took place on the same day that Princess Diana was killed in a car crash in Paris, France. For many days thereafter, every time he switched on the television or radio, he heard every detail about the life, death and family of Princess Diana. During this same period, he kept going to the police, to neighbours, to many people in his community, trying to find out the details of the man who had been murdered in his front garden. It was two weeks before he was able to find out the name of the man. He never found out why the man was killed. This, he said, is what globalisation is doing to our lives, making it easier to find out what is happening to famous people far away than to ordinary people on our own doorsteps."

"Globalisation is a positive development for the world ... To begin with, globalisation is the continuation of the trend of growing openness and integration among economies that has brought the world a half century of unparalleled prosperity." – *Michel Camdessus, previous Managing Director of the International Monetary Fund (IMF)*

"Anyone who believes that globalisation can be stopped has to tell us how he would envisage stopping economic and technological progress; this is tantamount to trying to stop the rotation of the earth." – *Renato Ruggiero, Director General, World Trade Organisation (WTO)*

"Globalisation has been marked by a concerted strategy by capitalists, in particular transnational corporations, to safeguard their interests and destroy any possibility of socialism ... "

"In the name of globalisation and international competitiveness there is a new ideological attack on worker rights, trade unions, and labour standards. Increasingly investment is being shifted to countries where no unions are allowed."

"Cosatu must counter the free market system and deepen the crisis of imperialism by developing an alternative humanistic project with a socialist perspective." – *Congress of South African Trade Unions (Cosatu) 6th Congress Resolutions, September 1997*

"When the market goes too far in dominating social and political outcomes, the opportunities and rewards of globalisation spread unequally and inequitably, concentrating power and wealth in a select group of people, nations and corporations, marginalising the others. When the profit motives of market players get out of hand, they challenge people's ethics – and sacrifices respect for justice and human rights ... "
– 1999 United Nations Development Programme (UNDP) Human Development Report

"In today's world, no country is untouched by the forces of globalisation. The challenge is to seize the opportunities opened up by globalisation while minimising its risks. On the positive side, globalisation is creating unprecedented opportunities for wealth creation and for the betterment of the human condition. Reduced barriers to trade and enhanced capital flows are fuelling economic growth. The revolution in communications technologies is shrinking the distance between nations, providing new opportunities for the transfer of knowledge and the development of skills-based industries. Technological advances offer great potential for the eradication of poverty throughout the world.

But the benefits of globalisation are not shared equitably. Prosperity remains the preserve of the few. Despite the progress of the past 50 years, half the world's population lives on less than US$2 per day. Many millions live in conditions of extreme deprivation. The poor are being marginalised. Expanded capital flows have also brought with them the risk of greater financial instability, undermining the hope that a commitment to open markets can lift the developing world, especially the least developed countries, out of poverty and debt. The persistence of poverty and human deprivation diminishes us all. It also makes global peace and security fragile, limits the growth of markets, and forces millions to migrate in search of a better life. It constitutes a deep and fundamental structural flaw in the world economy.

The greatest challenge therefore facing us today is how to channel the forces of globalisation for the elimination of poverty and the empowerment of human beings to lead fulfilling lives.

The solution does not lie in abandoning a commitment to market principles or in wishing away the powerful forces of technological change. Globalisation is a reality and can only increase its impact. But if the benefits of globalisation are to be shared more widely, there must be greater equity for countries in global markets."
– The Fancourt Commonwealth Declaration on Globalisation and People-Centred Development, November 1999

Clearly definitions are varied and opposing. For the purposes of this presentation, I have used the following workable definition:

> Globalisation is a process of restructuring the world economy. This restructuring process is a response to the crisis in the capitalist economic system which began in the early 1970s. The main purpose of this restructuring is to find new ways for business to maximise profits. Regardless of the advances in technology and telecommunications, the impact of globalisation on the well-being of most of the people living in Third World countries, has been negative.

There would no doubt be challenges to this definition by many proponents of globalisation, particularly those who have been unaware or indifferent to the plight of the poor. I would argue that the above statement be verified by facts which I will outline shortly.

2. THE CURRENT STATUS: THE ROLE OF THE BRETTON WOODS INSTITUTIONS

The 1999 UNDP Human Development Report gives specific figures to illustrate what is actually happening with regard to what it refers to as rewards that are spread "unequally and inequitably":

> "By the late 1990s a fifth of the world's people living in the highest income countries had:
> – 86% of world gross domestic product (GDP)
> – 82% of the world's export markets; the bottom fifth had just 1%
> – 68% of foreign direct investment; the bottom fifth had just 1%
> – 74% of world telephone lines, today's basic means of communication; the bottom fifth had just 1.5%."

These startling, indeed frightening, statistics tell their own story.

Important roleplayers that have contributed to the adoption of a neoliberal approach (committed to a minimal state, one limited to the tasks of internal order and external defence and distinguishing between private and public realms) in world economics include the Bretton Woods Institutions (BWIs), namely, the World Bank, the International Monetary Fund (IMF) and the World Trade Organisation (WTO).

> "Towards the end of World War II, international institutions were established in an effort to avoid repeating the horrors of the Great Depression and the mistakes of the punitive Versailles Treaty that concluded World War I. At the conference at Bretton Woods, New Hampshire in 1944, the Allies set up the IMF to ensure a stable international currency regime that would facilitate international trade. The World Bank would recycle money from wealthy countries, first to war-torn Europe and Japan and then to poorer nations. As a result of the Cold War, the World Bank and IMF became instruments of the West. The WTO recently became part of the BWIs.
>
> As a result of the influences of the BWIs, several of their global interventions had positive, but largely negative repercussions. The World Bank, for example, will not operate without a country's prior adoption of a structural adjustment programme (SAP).
>
> This involves rigorous cuts in public spending with the consequent effect of increased unemployment and all the other harsh medicines required to cure economic ailments. It has been shown that these programmes cannot be implemented without resorting to authoritarian regimes that are hardly likely to countenance people's participation or people-centred development"
>
> – *Griesgraber & Gunter, 1996: xiii.*

The UNDP described the impact of these SAPs:

> "What emerges is an arresting picture of unprecedented human progress and unspeakable human misery, of humanity's advance on several fronts mixed with humanity's retreat on several others, of a breathtaking globalisation of prosperity side by side with a depressing globalisation of poverty. As is so common in human affairs, nothing is simple and nothing is settled forever" *UNDP: 1994.*

There has arguably been some progress in changing indicators used by the BWIs to lend money to countries and aid in "development", at a great cost. The interest of social scientists and environmentalists in overhauling the GDP-based system of national accounts (SNA) emerged at least 40 years ago. New indicators used include the Human Development Index (HDI) of the UNDP which ranks countries by a measurement that combines life expectancy, educational attainment and basic purchasing power. The indicators have exposed the current hypocrisy of the BWIs, and have opened them logically and morally to demands of democracy, accountability and restructuring.

Many new indices are proposed and are at various levels of acceptance. A few include the EDP (environmentally adjusted net domestic product – which takes into consideration the depletion and degradation of natural resources), and the ISEW (index of sustainable economic welfare).

Suffice it to say there are many indices indicating that which is valued. The final say in the adoption of indices, however, is linked to how strong the lobbying for it is. The role of organised civil society becomes extremely important here.

In trying to make sense of the dilemmas, contradictions and ironies in the South African context, it is easy to rationalise or "adopt" an ideology without giving it great and often painful scrutiny. It is easy to buy into an ideology because it "sounds right" or "was the mantra all the years, why compromise now?".

It is crucial to find creative and innovative measures to address the problems we face.

A warning from Ngugi wa Thiongo should be heeded. He states:

> "The real aim of colonialism was to control the people's wealth ... (but) economic and political control can never be complete or effective without mental control. To control a people's culture is to control their tools of self-definition in relationship to others. For colonialism, this involved two aspects of the same process: the destruction or the deliberate undervaluing of a people's culture, their art, dances, religions, history, geography, education, orature and literature, and the conscious elevation of the language of the coloniser.
>
> The domination of a people's language by the languages of the colonising nations was crucial to the domination of the mental universe of the colonised" – *The Language of African literature.*

I would argue that economic colonialism is a real danger, particularly when a government sees no alternative.

When one model is offered as the only solution, how does one then develop alternatives?

How will government be held accountable?

What objective tools of analysis and measurement of social indicators does one use?

3. TOWARDS DEVELOPING OBJECTIVE CRITERIA FOR MONITORING EQUITY

I found the work of the Social Watch Initiative (SWI) to be valuable in attempting to move beyond ideological debate and helping us to begin discussing factors and criteria for evaluating the impact of government policy initiatives as well as the efficacy of community-based organisation (CBO) and non-governmental organisation (NGO) programmes on the lives of the poor.

The SWI is a coalition of civil society organisations from around the world. These organisations are monitoring the implementation by their governments of promises made at the World Summit for Social Development (WSSD) in Copenhagen and the Fourth World Conference on Women (WCW) in Beijing in 1995.

They used a graph known as the equity diamond for expressing the present state of the region (e.g. sub-Saharan Africa, Mexico-Central America and Panama). It graphically illustrates the situation based on four indicators: the infant mortality rate for children under five; the literacy rate; the Gini index; and the Relative Gender Development Index of the UNDP.

On each axis, if the value of the country is further from the centre than the value of the region or group, this indicates a better than average situation. If it is closer, the opposite is indicated. In short, the bigger the country's diamond, the better its average situation, measured by these four indicators, compared with the region.

The SWI also monitored progress and setbacks toward achievement of goals committed to by governments at the WSSD and at the Fourth WCW. They chose to identify certain measurable goals/targets and used indicators as a reference point. These are enumerated below:

3.1 Progress and setbacks in the fulfillment of the Copenhagen goals

Target 1a: To achieve completion of primary education of at least 80% of school age children by 2000.

Target 1b: To provide universal access to basic education for all school age children by 2000.

Target 2: To achieve a life expectancy of over 60 years by 2000.

Target 3a: To reduce infant mortality rates by a

third of the 1990 rate or to 50 per 1000 live births by 2000 if this figure is lower.
Target 3b: To reduce under 5 mortality rates by a third of the 1990 rate or to 70 per 1000 live births by 2000 if this figure is lower.
Target 4: To reduce maternal mortality to half the 1990 level by 2000.
Target5: To achieve food security. (To ensure caloric supply according to the FAO suggested levels.)
Target 6: To reduce severe and moderate malnutrition for children under 5 to half of the 1990 rate by 2000.
Target 7: To provide access to health care services for all by 2000.
Target 8a: To provide access to reproductive health care services to all persons. (Pregnancies attended per every 1000 live births.)
Target 8b: To provide access to reproductive health care services to all persons. (Percentages of births attended.)
Target 9: To reduce mortality and morbidity due to malaria by at least 20% of 1995 levels in 75% of countries affected.
Target 10: To eradicate, eliminate or control the main diseases constituting sanitary problems at a world level by 2000.
Target 11: To reduce the adult illiteracy rate to at least half the 1990 level.
Target 12a: To provide access to safe drinking water and adequate sanitation for all.

4. THE ROLE OF THE NATION-STATE

Stan Burke, in *People First* defines social development as referring to:

> "Those investments and services carried out or provided by a community for the mutual benefit of the people of that community whether as a village, a district or a nation. These might include health services and facilities, education, water supplies, energy, transport systems and communications. Such services and investments could, of course, be provided by private individuals or companies, in which case questions of equity and regulation arise. Most societies have therefore chosen what for them is a suitable degree of public involvement in investment, operation and regulation.
>
> The relationship between social, economic and political development can be illustrated as two columns representing economic and political development and a girder representing social development where the girder is dependent upon the support of the two columns which in turn rest upon a foundation of personal (human) development.
>
> **Social Development**
>
> **Economic Development** | **Political Development**
>
> **Personal (Human) Development**
>
> Unfortunately, too many governments and aid agencies either forget or ignore this basic relationship."

What then is the role of the state? Today, under the rubric of governance, there appears to be some acknowledgement that the anti-state emphasis of the structural adjustment era may have gone too far, and the call is for the more effective bureaucracies to be accountable. The danger in many poor countries, however, is that the real and relative salaries, the morale and ethics of bureaucracy, and public trust in bureaucracy, have plummeted so far, that it may be too late to turn these trends around. The daunting challenge today is how to break out of this "box" of bureaucratic decline.

Hirschmann D. *(Development and Change*, 1999) believes that this rests on the four corners, formed and connected by lack of resources, incentives, public service and legitimacy.

In an address at the *Privatisation Africa 2000* conference held in Sandton, Johannesburg on 16 May 2000 and entitled "Restructuring for development: ensuring benefits for the people", Minister of Public Enterprises Jeff Radebe stated the following (I quote him at length to demonstrate his Ministry or government's understanding of the role of the state in this context):

> "... our objectives for the restructuring programme can be identified by their relationship to micro, macro and social impacts. At the micro-economic level, restructuring involves enhancing the efficiency and effectiveness of state enterprises, sorting out their business systems and ensuring proper corporate governance, accessing globally competitive technologies, helping to create effective market structures that encourage greater competition in sectors currently

dominated by state-owned enterprises (SOEs) as well as mobilising private sector capital, expertise and participation at the enterprise level.

At the macro-economic level, restructuring aims to achieve a reduction in the public sector borrowing requirement, to attract foreign direct investment, and to finance growth and provide for greater industrial competitiveness. Taken together these two sets of aims at different levels would achieve a great deal; however, given our conditions of inherited inequality and injustice, they would be insufficient on their own to provide an adequate response to the pressing issues of the day.

Hence, we believe that it is imperative to emphasise that at the social level there are particular results we wish to see. These include wider participation in the South African economy through active participation and skills development of formerly disadvantaged groups and individuals, as well as to mitigate against any possible negative social impacts that may arise from restructuring efforts, such as marginal job losses, erratic price increases, or even the withdrawal or cancellation of services to certain areas.

It is commonly understood that the fundamentals upon which the South African economy now stand are essentially sound. In general terms, the direction and content of the policies implemented by government have produced the confidence in our economy that is both pleasing as it is necessary.

It is therefore no accident of history that the major SOEs in our country are located in four critical sectors of our economy: transport, telecommunications, energy and the high technology defence industrial sector. Transnet, Telkom, Eskom and Denel are common names in our country, and increasingly are becoming household names in other parts of Africa. As we know by now, together they contribute 86% of turnover, 94% of net income, employ some 77% of the total workforce, and account for 91% of the total assets of the top 30 SOEs. Together they dominate, if not overwhelm, the sectors in which they participate. Government's decision to focus its restructuring attention on these Big Four has the agreement of political parties across the board.

We want to make sure the transition towards world class, competent and responsible SOEs is as smooth as possible. To this end, we have adopted Protocols on Corporate Governance with SOEs' management and their boards of directors and will sign off shareholder compacts as well. Furthermore, the final touches to a sound social plan to cushion the effects, for example, of possible retrenchments are being put in place. We have engaged at various times with management, boards and labour throughout the SOE sector in an endeavour to hear all voices, to identify possible glitches and to attempt to draw common conclusions. By its very nature this is a dynamic process and one that requires constant work. I am committed to presenting the country with a legitimate, workable programme that will be sustainable and will benefit our people long after we in this room are no longer here.

We are well aware of the more favourable economic climate that has emerged over the past two years or so. Most recently, Standard and Poor commented positively on our general economic direction and became the latest analyst to increase our investment confidence rating. We have noted an increase in new investment from companies that had not ventured here before. This in itself is encouraging. The United States has also adopted a more open policy towards Africa, and we have seen a successful though tough conclusion to the European Union negotiations. Together, these elements open new opportunities for investors from abroad and also for the development of joint ventures here. Government looks forward to the expanded participation of the private sector in our restructuring efforts. We look forward to foreign investors, large and small, coming to our shores."

Civil society needs to be asking government some critical questions, e.g.: what scientific impact assessments have been done to determine the consequences of restructuring? How (quantifiably) can government be held accountable for these initiatives? The NGO/CBO movement has had some recent successes. The blockage of the Multilateral Agreement on

Investment (MAI) is one example. This was made possible by one of the very tools of globalisation, namely the Internet and email.

5. THE SOUTH AFRICAN CONTEXT: UNIQUE CHALLENGES AND PROBLEMS – RDP/GEAR CONTRADICTIONS

The book *An RDP Policy Audit,* edited by Patrick Bond and Meshack Khosa (HSRC, 1999) is possibly one of the first attempts to formally ask the question: has the RDP programme been honoured in a quantifiable way? Readers are encouraged to draw their own conclusions about how various departments in the 1994 to 1999 government succeeded in turning a broad electoral mandate into concrete policies and laws.

Below are listed some accomplishments and shortcomings of GEAR in terms of job creation. Many will say that this replaced the RDP, whilst government will insist that GEAR is the means to implement the RDP.

6. THE CHALLENGE FOR COMMUNITY PARTICIPATION

We can still make a difference! One can often be overwhelmed by the size and complexity of globalisation. Like with the SWI, however, our strategies for intervention should be seriously considered to be just that.

We can interact directly with local government. Much of the legislation has allowed us unprecedented access up to the decision-making level within, for example, local government.

But there is, unfortunately, much anti-poverty and advocacy work to be done. Many of the gaps between policy and practice will increase in government. Below are some of the contradictions and dilemmas in terms of the gap between policy and outcomes:

- Effect of privatisation (e.g. FWWP Project in Paarl).
- Lack of pensions being paid out by the Department of Welfare in the Eastern Cape.
- Grootboom legal precedents.
- Impact of demarcation in terms of financial viability and access to democratic and service structures.
- Effect of uniform property tax bill on traditional land.
- Effect on language policy (see example below).

It is held by some proponents of monolingualism, that those who cannot express themselves in English are not heard. I would like to quote a

GEAR Policies on job creation	**Reality check: Year 2000**
Increasing exports from South Africa	Although exports increased to other African countries, on the whole, exports declined from 1.6% in 1995 to 0.25% of GDP in 1999.
Increase foreign investment in Southern Africa	Fixed capital investment by private businesses declined in 1999 by 3.8%.
Create 833 000 new jobs by 2000	500 000 jobs have been lost since 1995. Unemployment in the Eastern Cape is 51.4% and in the Northern Cape 47.8%.
Economic growth between 3–6%	Real growth for 1999 was 1%.
Land reform	The programme has had an increase of R114 million and a new policy that aims to transfer 30% of farms to 200 000 black commercial farmers in the next 20 years.
Greater labour market flexibility	The International Labour Organisation (ILO) describes the South African labour market as already very flexible, with many layers of job categories.
Reduce the size of the public service and develop more efficient management structures for better service delivery	The government is planning to cut the public service by 300 000 jobs.
Institute a levy system to fund training	A tax of 0.5% of pay roll will be used for education and training. This tax will be deductible, resulting in a reduction in company taxes (R1.4 billion in 2000).

recent example where the issue of language and the effect of efficiency and globalisation can be demonstrated.

In a noteworthy Land Claims Court ruling of 27 January 2000, Judge R Gildenhuys ruled against the applicant (plaintiff) who had the municipality of Ladybrand evict Mr and Mrs Mpetsane from his farm. In the case of *H R Rohde v M P Mpetsane and another* LCC 5R/00, the magistrate of Ladybrand granted an eviction order against the two respondents. The matter was referred to the Land Claims Court for review in terms of the Extension of Security of Tenure Act, No 62 of 1997. The judge ruled that this eviction was illegal since, among other reasons:

> "I could also find no indication that the requirements of regulation 9(2) of the regulations published on 18 December 1998 under R1632 were met. Briefly, these regulations require that the *appropriate* notification be given to the respondents in the *official* language that they best understand, that certain sections of the notice be read aloud to them and that a further written copy of the notification, in another official language be handed to them" (Land Claim Court LCC5R/00:2000) [translation, emphasis added].

My point is simple, modernisation (globalisation) *per se* – in this case, downloading this case file from the Internet – was in no way necessarily pragmatic and a means of effective communication. Poor people have recourse to justice because of the constitutionally enshrined official status of all 11 languages. Having English as the sole official language removes this legal requirement. Other languages lose their power and become optional and a privilege. This hegemony of one language is an indirect consequence of a mindset that does not appreciate or treasure the richness of other languages.

CONCLUSION

I quote from the Southern African Catholic Bishops' Conference *Economic Justice in South Africa – A Pastoral Statement* (May 1999).

> "We challenge in turn all those who bear economic responsibility always to judge their policies and practices from the perspective of fundamental values. Working together, challenging and being challenged, we will truly be doing God's will, and be worthy of God's reward:
>
> Is not this the sort of fast that pleases me
> – it is the Lord Yahweh who speaks
> to break unjust fetters
> and undo the thongs of the yoke,
> to let the oppressed go free,
> and break every yoke, to share your
> bread with the hungry,
> and shelter the homeless poor,
> to clothe the one you see to be naked
> and not turn from your own kin?
> Then will your light shine like the dawn
> And your wound be quickly healed over.
> (Isaiah 58:6-8)"

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The Importance of a Basic Framework for a Sound – Effective and Social – Economic Order

Franz Josef Stegmann

INTRODUCTION

Let me start with reference to my native country and its recent history. World War Two saw the defeat of Germany, its industry destroyed, its economic structure ruined. I was about 15 years old at that time and remember this well. Even in the early 1950s when I attended university, the situation was still bad. For instance, we could not enter Munich University through the main entrance because there was still a huge bomb crater which had not yet been filled. During winter, each student had to bring a bundle of wood every week to heat the stoves of the lecture halls.

Within 15 to 20 years, however, Germany's post-war reconstruction of its economy was successful. At the same time, and equally astonishing, is that the country's social level is quite high – some criticise it for being too high. Compared with other industrialised countries, its social structure is surprisingly stable.

Germany certainly had to face, and still faces, many economic problems, particularly in recent years. Take for instance the problems caused by unification. Since 1990, about DM150 billion (R450 billion) has been and is annually transferred to the former communist German Democratic Republic to reconstruct its ruined economy. Then there are problems caused by the reversed population pyramid. The same number of people in the workforce must bear the costs for an increasingly older population. But despite this and a number of other problems, economic and social standards are remarkably high, and the so-called "social net" is tense and tight – again some criticise: too tight.

Many factors contributed positively to this economic and social reconstruction. An example is aid from the United States (US) via the Marshall Plan during the first post-war years.

One of the most important factors, however, was the general policy of market economy within a basic framework. It is a key part of the so-called Social Market Economy and aims at a sound economic order which is both effective *and* social.

In this paper, I will briefly describe the tension-laden relationship between market economy and morality. I will then present the thesis of economic ethics, that the framework is the basis for a sound economic order and the main place where morality is to be situated. Lastly, I shall explain this thesis in eight steps, giving reasons for the importance of the framework.

1. CONTRADICTION BETWEEN MARKET ECONOMY AND MORALITY (AND ITS SOLUTION)

In academic discussions and even more in the fields of economic policy and every day economic life, two contrasting positions frequently come into conflict. Some make the autonomy of economic market forces, of "market laws" and the economy as such, absolute and are convinced that introduction of and subordination to moral laws would create bad economic results. Market economy is based on the freedom of decision by the individual economic participants. Compliance with moral laws – even if well meant but coming from outside the economic field and, consequently, alien to the economy – would restrict this freedom, would prevent the economy from operating efficiently and would create negative results.

Others claim the absolute priority of ethics over the economy. Economy and market are not an end in themselves. They must be at the service of human beings and their needs and values. Economy and market, therefore, have to be subordinated to morality and must give ethics absolute priority. People holding these convictions sometimes make moralising appeals to economic participants, without taking into account the particular nature and requirements of the economy; therefore, business people just as often do not listen to those appeals and reject them.

The basis of both contrasting views is the fact that, as a rule, additional efforts for social targets – or for humane or moral purposes as such – are connected with costs. In a market economy, additional efforts seem to be well-nigh impossible because they can (and will) be exploited by fellow competitors, who do not have to bear those additional costs. Whenever an enterprise has to bear expenses which exceed the expenses of its competitors, the enterprise will become bankrupt and will be eliminated by the market. Competition and morality are consequently thought to exclude each other. From this fact two famous figures – Karl Marx and Friedrich August von Hayek, who received the 1974 Nobel Prize for economics – drew contrasting conclusions. Marx demanded for the sake of social justice and morality the elimination of economic competition as fully as possible. By contrast, von Hayek (who lectured in economics in the US for many years) considered the concept of Social Market Economy to be a contradiction in itself, a "wooden iron", and rejected its social dimension in favour of market efficiency. He therefore gave the second volume of his main work *Legislation and Liberty* the title "The illusion of social justice".[1] Thus, market economy and morality – competition and social justice – seem to exclude each other.

Do they do so? Must they do so? Or can the dilemma be solved? Modern economic ethics claims that this conflict can be solved – at least to a great extend.

When I was studying at Munich University, I enjoyed mountain climbing. When you are on a hike and your friends realise they left their lunch behind, you will surely share your food with them. But when this happens for a third or fourth time, you will probably check their backpacks before starting off. This face-to-face relationship makes it easy to detect and change deviant behaviour.

But when the breakfast jam I buy from the store becomes less tasty, I cannot exercise control in the same way. Instead I switch brands. If many consumers do the same, the jam producer will look for the cause of the drop in sales and remove it.

What does this tell us? In modern mass society without one-on-one relationships, controls operate in a different way from those in small groups. This experience leads to the thesis: the framework is the basis for a sound economic order and is the main place – not the only, but the main place – of morality in a modern market economy. I will unfold this thesis and give reasons for it.

2. DISTINCTION BETWEEN INDIVIDUAL MOTIVES AND NATIONAL ECONOMIC RESULTS

The starting point is the distinction between individual motives for economic activities and national economic results. Individual economic participants, individual enterprises, rightfully try to make a profit. As a rule, self-interest – which is not the same as selfishness – is the driving force and incentive to their economic activities. People work and are busy in order to meet their needs and to realise their aims. Thus, to a great extent, economic activities are motivated by individual economic interests. In addition, whenever market participants are not able to make a profit but, for a longer time, suffer losses and go into the red, they will be eliminated by the market and do not survive.

With regard to what we call the national economy, the situation is completely different. The task of the national economy is to ensure the best possible provision for all people; in other words, "the 'social aim and object' of market and competition is the welfare of everyone",[2] (a part of) what Christian Social Teaching calls the "common good". This distinction between the level of individual economic participants and their motives on the one hand, and the level of the national economy and its task on the other, is decisive and must not be overlooked. The distinction already forms the basis of Adam Smith's (the founder of classical economics) statement:

> "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect

what we need to eat but from their regard to their own interest."[3]

3. DISTINCTION BETWEEN FRAMEWORK FOR ACTIVITIES AND ACTIVITIES WITHIN THE FRAMEWORK

The activities of individual economic participants – motivated by self-interest – do not, however, automatically realise the best possible supply to all people. (This was and is one of the main faults of capitalism and its "pure market" ideology.) They put it into effect only within a commensurate order, within "a clear framework and strong legal regulations",[4] as Alfred Müller-Armack – one of the "fathers" of the concept of Social Market Economy and a high-profile economist – emphasises.

We must therefore draw a distinction between the *framework for activities,* which includes the constitution, economic laws, the legal order of competition, etc., and *activities within the framework,* for example investment policies of enterprises, schemes of buying and selling, price policies, etc.

One must distinguish – to use the metaphor of a football match – between rules of the game, which all players have to observe, and moves in the game, which depend on the efforts and skills of the individual players. Politics – more precisely, the legislator – must establish a legal framework, a set of rules of the game, that makes individual economic participants in their own interest act in business life as is demanded by the well-being of everyone. Each economic player, all individual market participants, have to observe the rules of this framework set to their activities; and the state authority has to ensure that these rules are observed. As a result, "the framework is the main place – not the only, but the main place – of morality in modern market economy".[5] Within the framework, in the field of moves, there is competition. The "moves in the economic game" are not completely morality-free, as we will see later, but they are what I call paradigmatically morality-free. Within the framework, the ability, imagination, efforts and skills of the market participants are stimulated and challenged. In this way, at the same time, competition and morality – at different levels – come into and remain in effect. The framework has to ensure that self-interested action does not degenerate into selfish action. The pastoral statement "The Common Good", published by the Catholic Bishops of England in 1996, takes up the same thought: "The good functioning of the market requires ... a regulated and legal framework."[6] The key role of the framework as the basis for a sound economic order is therefore most important and must not be overlooked.

4. MORAL QUALITY OF THE MARKET

Market and competition of achievements are imperative because they are able to utilise the limited economic resources in a better way than any other economic system we experienced and know to date. I refer to the late Jesuit Oswald von Nell-Breuning, a foremost social scientist and doyen of Christian Social Teaching, who worked out the draft of the *Encyclical Quadragesimo Anno* of 1931. His whole life a friend of the labour movement, he could not be suspected of sympathy with any kind of capitalism or pure market ideology. In order to reconstruct Germany's ruined economy after World War Two, he demanded in 1948: "First get the market economy going as much as possible"[7] and eliminate the centrally planned and controlled economic system.

The main reasons for von Nell-Breuning's assertion were – and are – as follows: material resources, when compared with material needs of humankind, are in short supply. The commandment of solidarity therefore demands that sufficient material goods essential for life are made available to as many people as possible. Market and competition – more than any other economic system known to date – are able to utilise the scarce economic potential in the best possible way and thus, on the whole, to stimulate more productive activity.

"No other system has so far shown itself superior ... in advancing the prosperity of the community", the already mentioned pastoral statement of the English Bishops emphasises. "Centrally commanded economies have been seen to be inefficient, wasteful, and unresponsive to human needs".[8]

Economic inefficiency and the squandering of resources in the types of socialism which existed in Russia, Eastern Europe, East Germany and elsewhere, and which has broken down in our time, are a concrete and obvious proof. The more the volume of goods that are necessary for life can be increased, and at the same time, the more the consumption of resources to produce these goods can be decreased (for example, the consumption of scarce energy and the demands made on the natural environment to produce these goods), the less the living conditions of future generations will be burdened. Uneconomic utilisation of limited economic resources and the squandering of the scarce economic potential violates human solidarity, or – in Christian words – breaks the commandment to love one's neighbour. The moral quality of a competitive economy therefore lies primarily in its ability to use limited economic resources as well as possible.

On the other hand, the state ought only to exert as much authority and pressure as is absolutely necessary, and ought to give as much freedom as possible to individuals. Christian Social Teaching – more precisely: the commandment of subsidiarity, which is one of its basic principles – demands that individuals themselves be active agents and subjects in the economic field. The subsidiarity principle claims "that one should not withdraw from individuals and commit to the community what they can accomplish by their own enterprise and industry". This would be "an injustice and grave evil",[9] stresses the *Encyclical Quadragesimo Anno* of 1931, which formulated the principle for the first time. Subsidiarity therefore holds that those things which can be done or decided by individuals or at a lower level of society, should not be taken over by a higher level. It demands (I repeat) that individuals themselves be active agents in the economic field – that is to say, that they have the opportunity to take the economic initiative. This is also Christian Social Teaching's answer to the question: market economy or centrally planned and controlled economy?

5. MAIN PROBLEMS OF A CENTRALLY PLANNED AND CONTROLLED ECONOMY

I have alluded to the socialism that existed in Eastern Europe and elsewhere, but deliberately avoided the expression "socialist economy", since I would first have to explain what this is. This would not be easy because people understand it differently. The term "centrally planned and controlled economy" was first used by Friedrich Engels, a friend of Karl Marx. Walter Eucken, a high-profile economist and one of the founders of Social Market Economy, introduced the term into the literature of economics. It describes an economic system in which a central state authority plans and controls the whole national economic process as well as the activities of the individual economic participants. This is its main characteristic. The economies of the former Eastern bloc states or the German economy during the Second World War are illustrative examples of a centrally planned and controlled economy. Such a system not only "limits people's freedom of choice in economic matters",[10] as the pastoral statement "Economic Justice in South Africa" of the Southern African Bishops' Conference says; it is *by its nature* also unable to meet the needs of the people. Because of lack of time, I make only a few remarks.[11]

A main reason for its inability is the fact that the self-interest of economic participants is not taken into account. In general, economic activities are motivated by individual benefit objectives. Self-interest is the incentive to economic achievement. Self-interest is not the same as selfishness and should not be confused with it, even if, of course, it can degenerate into selfishness. Self-interest is basically a natural human attitude. Just recall the words of Christ: "Love your neighbour as you love yourself" (Mt 19,19; Mk 12,31). The commandment to overcome greed and selfishness does not mean to put aside our own desires and ambitions. This would be an inhumane demand. Self-interest is the motivating force behind our activities – economic activities included.

A centrally planned and controlled economy is an obstacle to that and excludes, more or less, this economic and generally human function of personal advantage as a driving force for economic activities. Income and prices determine the degree to which needs and wishes of individuals can be fulfilled – at least insofar as this fulfilment depends on the amount of their income. The state and its central economic authority respectively has already fixed those data in advance, without taking into account the individuals' real activities. This fact excludes the principle of self-interest as the main incentive to economic achievement. The attempts of "commanded economies" to replace the "achievement principle" – through the back door, so to speak – by introducing bonus systems and by fixing high targets that had to be met, completely failed. According to my own experiences in the communist German

Democratic Republic, this fact was the most important factor for the economic collapse of the former Eastern bloc states. By their nature, “centrally commanded economies”, as the English Bishops call them, are unable to meet the needs of the people. They are “inefficient, wasteful, and unresponsive to human needs”.[12] The socialism that actually existed and that has broken down in our time, is concrete proof of the failure of a centrally planned and controlled economy. Not least for this reason, the slogan going around East Germany during and after the 1989 peaceful revolution was: “If the DM (deutschmark) does not come to us, we shall move to the DM.” The DM was the symbol of Social Market Economy.

6. ADVANTAGES AND BURDENS OF MARKET AND COMPETITION

Why, however, are market and competition – in particular in the moral-ethical view – often so fiercely disputed (and even attacked)? Karl Homann, a foremost social philosopher and distinguished economist, sees the main reason for this in the fact that market and competition “create a general increase in prosperity”, but that these advantages “are scattered, spread, diffused, and in this sense ’imperceptible’” to individuals. They create a general increase in prosperity. Competition and market are incentives for economic activities; each economic participant attempts to make a profit. At the same time, market and competition put pressure on costs and prices; each producer makes every effort not to be eliminated by fellow competitors. The results are “a general increase in prosperity”, and the community as a whole profits from it.

In contrast to this, the burdens of market and competition “often affect and hit individual people, single groups, single branches”[13] – for instance farmers, miners, shipyard workers (as happened in Europe during the past 30 or 40 years). The best utilisation of limited resources requires indeed that uneconomic production and production for which there is no longer a demand, are stopped. If, in the longer term, all people will benefit, then changes in economic structure are imperative. Subsidies that permanently preserve products no longer in demand and the permanent protection of outdated branches of industry are not only economically, but also morally, detrimental. Such permanent subsidies and the permanent protection of outdated branches burden the welfare of the community, which has to bear those subsidies and pay them. They therefore damage the public weal. Changes in structure – the “process of creative destruction”,[14] as the (left-wing) Austro-American economist Joseph Schumpeter demanded – are the market economic price for the common good.

7. NECESSITY OF THE FRAMEWORK

But now the question is: how does the community manage to cope with these costs relating to the public well-being in a market economy? What kind of safeguard, what social net, what framework is being established? Market and competition are only responsible and acceptable if those individuals who have to bear the changes in structure and are hit by its burdens, are cushioned and carried by the community. I think, in particular, of the so-called “market passives”, who are not able to take care of themselves in a manner required by the market, because they are ill, weak, young, old, etc. In other words, the framework must be shaped according to the well-being of *all.*

At this point, politics and state must start to do their job. This task includes not only to make possible and safeguard the efficient operating of market and competition, and afterwards – perhaps – to correct some socially detrimental results. To speak metaphorically: it is not good enough to pull the child out of the water, after it has fallen in. It is crucial that from the very outset, the social dimension is recognised as essential and equal in weight to economic activities. To use the image once more: the child must be protected from falling into the water. State and politics therefore have to provide such a framework and those presuppositions – as the above-mentioned Oswald von Nell-Breuning emphasised – which are needed “for a humane economic process and its positive social results”.[15] This task demands, for instance, the involvement of the workforce in economic decision-making;[16] it aims to provide the conditions for the creation of new and sustainable jobs by changing the economic *structure, before* segments of industry and their jobs go into decline; and it aims at a “fair and adequate income distribution” – to mention only a few examples. An abundance of wealth alone is not a desirable aim, if this wealth is unjustly shared. Or another way: the bread we need to eat must first be baked. For that we need an oven that works well; in other words, we need an economy that operates efficiently. And market and competition are able to utilise the limited economic potential in the best possible way – more than all other economic systems currently known. The bread, however, must not be baked under inhumane working conditions, and everyone must get a just share. For that we need a framework shaped by the legislator in alignment with the well-being of all, with the common good, and carried through by state policy.

8. SOCIAL MARKET ECONOMY AND ITS FRAMEWORK

This insight is the starting point and basis of the concept known as "Social Market Economy". After World War Two, economists and politicians in Central Europe (and especially Germany), who had opposed the National Socialists and their "commanded economy", developed the concept. It aims at combining freedom in the marketplace and social justice.[17] The core of the concept is "competition based on achievement". Since proper competition does not automatically result from the free play of market forces – as taught by history and modern economics – the state policy has the responsibility to enable, establish and promote competition, as well as to safeguard it from restrictions. According to the concept, the state is not a simple night watchman; on the contrary, legislators and government have to create "the legal framework for every economic activity, business, trade and industry"[18] to ensure competition.

Added to the competition, which guarantees economic efficiency, equally important are social conditions and rules. They form the second pillar of Social Market Economy. Such social elements are the alignment of the economy with the needs of consumers by the play of supply and demand and not with a central state authority (as existed in Germany during the war and post-war periods); income distribution tied to individual performance and, in this sense, "a just income distribution";[19] and social and economic interventions of the state to compensate for and correct socially negative results, as well as to lighten those changes in the economic structure which are beyond the ability of the individual people affected. Such changes – demands Alexander Rüstow – one of the founders of Social Market Economy and a high-profile economist – "must not be allowed to regulate themselves in a capitalistic, palaeo-liberal manner". People who are not, who are not yet or who are no longer able to compete because they are ill, weak, young, old, etc., "cannot be abandoned to the market"; one "must do something for them if one wants to be responsible and humane".[20]

In Germany, this concept of Social Market Economy had to be put into effect against vehement opposition from the business world. But politics, the Parliament, put it through.

According to Christian Social Teaching, it is crucial that this social dimension is integrated into the economy from the very beginning and is considered as equal in weight to the economic activities. Wilhelm Röpke, another father of Social Market Economy, described the essential difference to the pure free market as follows: according to this "concept, competition is a natural plant" growing by itself; according to our "conviction, it is a cultivated plant"[21] that must be tended, pruned and nursed.

For some years, admittedly, Social Market Economy has had to face a serious additional problem. In the context of the growing global "interdependence of national economies",[22] the world economy lacks a global framework that would correspond to the domestic framework within a state. The much discussed globalisation enables economic participants, and in particular transnational companies, increasingly to act outside any framework. The framework, however, is essential for the concept of Social Market Economy. The "hot potato" of an international economic order results from this lack. The existence of the United Nations and its institutions are at best – if at all – first steps. Europe is presently attempting to shape a regional framework by founding the European Union. In the long term, in my view, a global framework is absolutely needed. This must not be "a world state" which neither seems to be possible nor, because of the danger of a global dictatorship, desirable. But a "world federation of independent states", as political scientists correctly suggest, their "institutionalised cooperation"[23] on a global level is imperative – in whatever way it may be organised. Hans Tietmeyer, then president of the German

Federal Bank, demanded "a world-wide social order" which "ought to be established step by step".[24] And the *Frankfurter Allgemeine Zeitung,* one of the leading newspapers in Europe and not hostile to the economy, firmly stated that "in the long term a global competition authority will be essential to prevent private monopolies of power".[25] In addition, such a global institution is also imperative for the sake of other vital aims, for example global peace-keeping. I cannot see an alternative.

9. FRAMEWORK AND INDIVIDUAL MORAL COMMITMENT

The emphasis on the framework as the basis for a sound economic order and as the main place of morality in a market economy does not make individual moral commitment superfluous, as the framework is sometimes accused of doing. On the contrary, individual economic participants have to observe the rules that have been enacted to regulate economic activities – their moves in the economic game – and must in no way avoid or trick them. This might often demand great moral strength. On the other hand, all citizens have the political and ethical responsibility to be involved in shaping this framework and to contribute their political and moral convictions – for instance, by the election of members to parliament. Democracy "means that the people themselves must take charge of ethics"; and in a democratic society the majority decides on the content of the framework and determines its details. Therefore, "as many as possible" should make their "consciences heard" and their "voting power felt on matters of basic principle".[26] Finally, in spite of competition, within the framework the individual economic participants can make additional efforts for social or – in general terms – moral purposes.

As long as fellow competitors do not exploit such efforts, which are connected with costs, but take them on, higher moral standards will emerge.

If we consider human nature realistically, we recognise that moral appeals to the conscience of single individuals, expect too much from these individuals and overtax them whenever they are economically punished for their social or moral behaviour – by higher expenses or renunciation of economic advantages.

CONCLUSION

In conclusion, the thesis of the framework as the main place of morality in the market economy emphasises that "the conscience of the individual person is not able to compensate for the failure of the institution".[27]

In the 19th century, Christian Social Teaching and the (German) Catholic Social Movement orientated themselves – maybe unconsciously – to this fact when they demanded both a "reform of the way of thinking" as well as a "reform of conditions" to solve the social questions of the time.[28] The key role of the framework as the basis for a sound economic order, which is both effective and social, remains most important and must not be overlooked.

ENDNOTES

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11) For details see Franz Josef Stegmann, Economic Competition and Social Justice, in: Franz Josef Stegmann, Social Market Economy and Morality – Contradictory or Complementary? Johannesburg November 1999, 31-41, 35-36 *(Occasional Papers,* published by the Konrad-Adenauer-Stiftung).
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Recommendations from the SACBC Pastoral Statement "Economic Justice in South Africa"

Kevin Dowling

INTRODUCTION

Our approach as Church is to analyse policies and practices from the perspective of our value base which is the Gospel and Catholic Social Teaching, and also from the impact and effect such policies and practices have on the life of people, especially the most vulnerable in society. We also believe that we must not be afraid to critique policies and, if necessary, to criticise whatever has a negative or adverse effect on people and their quality of life.

In analysing economic policy and programmes in view of attaining a more just economy, the major roleplayers are government and business, and to a lesser extent labour and civil society.

This paper makes suggestions and recommendations concerning all four, and then focuses on what is fundamental to achieving meaningful change, namely, a real change of attitude on the part of everyone, including government, business, labour and all sectors of civil society.

1. RECOMMENDATIONS TO GOVERNMENT

- The responsibility of government is to ensure the welfare of its citizens and to meet the needs of all, especially the poor and vulnerable.
- We have identified three major problems requiring action: namely, poverty, growing unemployment, and the unequal distribution of wealth.
- We criticise the macroeconomic strategy, GEAR (Growth, Employment and redistribution), from the point of view of failing to meet its targets in terms of economic growth and job creation, both of which are vital for the alleviation of poverty and, therefore, for economic justice. For example, GEAR fell short of its job creation targets by 197 000 in 1996 and by 394 000 in 1997 (Stats. 1998).

1.1 Trickle-down effect

- We question the assumption that if wealth and prosperity are created at the top end of the economy, this will trickle down to those at the lower end.
- This assumption calls for strict fiscal disciplines, deficit reduction, removal of exchange controls, and reductions in company taxation – all of which are demanded by business as the way to expand the economy and to create more jobs.
- We believe that there is little evidence that the "trickle-down" effect is likely to happen. In fact, the contrary happened, even before the economic crisis of mid-1998.

1.2 Budget deficit

- We also question the assumption that it is necessary to reduce the budget deficit to the low levels demanded by GEAR.
- Government should from time to time borrow money in order to invest in its human capital, its people. For example, public works programmes providing infrastructure and training and skills to people, would be an investment in the long-term by government. The Working for Water project was a good example of this.

1.3 Alternative fiscal measures

- We call for a more flexible approach to bud-

get deficits rather than rigid adherence to pre-set targets.
- Fiscal measures could be taken to encourage job creation, e.g., reduction in company taxation for companies that have increased their workforce, or which adopt labour rather than capital-intensive methods of production, and which invest in the training and development of their workforce.

1.4 Personal taxation
- The tax burden on lower- and middle-income earners should be further reduced.
- This should be balanced by an increase in estate duties and in the top marginal rate applicable to the wealthiest sectors of society. We believe the rich have a moral duty to assist in redressing the imbalances in our economy by willingly accepting higher levels of taxation.
- This should be viewed as a "solidarity" tax and a commitment to economic justice, national reconciliation and the common good.

1.5 Job creation by the state
- Government can promote job creation directly by making this a central requirement for tenders for state contracts, even where they are not the lowest.

1.6 Support for the unemployed
- Government should widen its support for the aged, the disabled, and those who have lost their jobs by providing some form of support for all the unemployed, including those who have never held a job.

1.7 Privatisation
- The central issue in privatisation is concern over resultant job losses.
- We contend that jobs must never be lost or put at risk simply for the sake of profit.
- Account must be taken of the experience that privatisation of essential services often results in costs becoming unaffordable for many.
- In order to ensure affordability to the poor, we suggest that some form of subsidisation by the state is required for the provision of basic services.
- We call on government to conduct privatisations in ways that empower as many people as possible; that is, of course, if government chooses to follow the route of privatisation.

1.8 Economic redress
- Gross inequality in wealth and income distribution is due in great measure to the ways that black people were dispossessed of their land and other property, denied training, and experienced other forms of discrimination.
- We believe that those who benefitted financially under apartheid now have a responsibility to make economic redress, and call on government to facilitate such redress through legislative and other measures.

1.9 Public debt
- The public debt, being the single greatest drain on the economy, has to be dealt with. We call on government to examine and implement ways to reduce the debt burden.

2. RECOMMENDATIONS TO BUSINESS
- Business has a responsibility to cooperate with government to ensure job creation, wealth distribution and alleviation of poverty.
- What is needed in general is the development of a mindset that is against retrenchments, and that encourages investment in more labour-intensive methods of production, as well as investment in people.

2.1 Retrenchments
- Retrenchments where the main objective is profit maximisation are a structural sin, even when explained by such things as rationalisation, right-sizing and outsourcing.
- Where there is no other way to avoid retrenchments, business should already have contingency plans in place. There should be adequate warning of impending job cuts, assistance in finding other forms of employment and adequate compensation.

2.2 Productivity
- We challenge the assumption that the best way of achieving greater productivity is to reduce employment levels.
- Every opportunity must be taken to increase the size of the workforce, rather than regular overtime being worked by existing employees.
- If employees depend on overtime to make ends meet, it has to be questioned whether they are receiving a just wage.

2.3 Technology

- Investment in new technology and mechanisation has to be examined in light of what effect it will have on people and the country.
- The unemployment problem is often compounded by such investment. A more holistic approach is therefore required of business when examining possible investment in technology.

2.4 Training

- By international standards, companies spend relatively little on training and developing the workforce.
- A voluntary increase in such expenditure, prior to legislation, would have indicated the basic attitude and approach of business towards the issue of employment.
- Adequate training is an important requirement for increased productivity.
- More emphasis on capital and management productivity is required, not just on labour productivity.
- The basic objective should be: increased productivity together with increased employment.

2.5 Remuneration

- Workplace differentials are among the highest in the world (100:1 between managing director and lowest paid worker: in Japan this ratio is 7:1).
- We call on business to redress seriously the scandalous rich–poor gap.
- Where huge wage differentials exist, executive wages should be frozen or reduced until the wage gap has been substantially narrowed.
- Greater attention has to be paid to a more equitable distribution of company profits, especially through increased wages to lower-paid employees.

2.6 Input costs

- Business should move away from calls for labour market flexibility – which means, in effect, suppressing wages and benefits.
- Costs of other inputs, such as capital and raw materials, should not be presumed to remain inflexible.
- The financial sector must be willing to accept lower, but still adequate, profit margins in order to reduce business's capital costs.
- Monopolies in primary and secondary industries will lead to unnecessarily high raw material costs.
- It is unreasonable of business to expect workers to make sacrifices by accepting labour market flexibility, while banks and other large primary producers remain inflexible.

2.7 Social responsibility

- We commend and encourage some outstanding examples of business philanthropy and social responsibility.
- Much more, however, can be done and business must respond with greater commitment to the steps government has taken in the macroeconomic sphere.
- Business should promote a comprehensive understanding in shareholders about what is a real investment in our future and what will benefit the economy as a whole.
- This can be achieved by reducing profit through investing money in poverty relief, education and training, job creation schemes, etc.

3. RECOMMENDATIONS TO LABOUR

- Labour has relatively little ability to influence policy in comparison to government and business; labour is not an equal partner to the other two.
- But labour has a right to have a voice in economic decision making, and should contribute to the attainment of economic justice.
- The Church's general position is as follows: just as everyone has the duty to work loyally, so also everyone has the right to work.
- Labour must safeguard the right to work and combat job losses, and must also work for overall economic well-being.

3.1 Interests of the poorest

- Huge numbers of workers still earn very low wages, and cannot meet the basic needs of their dependants.
- As unemployment grows, the number of dependants which an employed worker has to support is rising.
- Such workers have a right to demand wage increases beyond cost of living levels.
- It is absurd to expect the lowest paid and most disadvantaged workers to exercise wage restraint, especially when management does not do likewise.
- Organised labour must have a special con-

cern for those who earn below the poverty datum line, and must promote their interests.

3.2 Productivity

- Management and workforce share responsibility for improving productivity levels.
- A constructive approach from both groups is required.
- Increasing labour unit productivity by reducing the workforce, and then requiring the remaining employees to work longer and harder, is unacceptable – organised labour must oppose this.

3.3 Representing exploited workers

- There is a tendency among some employers to reduce permanent staff, and to employ instead, temporary or casual labour.
- By not putting workers on permanent staff, even when they have worked for several years, employers can reduce their liability to contribute to UIF and to pension and provident funds, as well as costs involved in annual leave, sick and maternity leave.
- Labour legislation (written in 1998) is moving towards protecting such workers, but there seem to be ways to circumvent employment regulations.
- Workers hired on a daily basis are open to exploitation. Appropriate protective legislation should be considered.

3.4 The unemployed

- The interests of the vast numbers of unemployed must also be addressed.
- It is unacceptable to create jobs with ridiculously low wages and poor working conditions as a means to solve the unemployment problem.
- Labour can assist the unemployed by declining to work regular overtime and calling for increased employment instead.
- This could also secure for workers and their families adequate time for rest, recreation and spiritual development.

4. RECOMMENDATIONS TO CIVIL SOCIETY

- Non-governmental organisations, churches and other community-based organisations have a role to play in the quest for economic justice.
- They have expertise and experience in such fields as development, education, capacity building and human rights advocacy. These skills should be made available to all in view of influencing economic policy.
- These organisations are often more in touch with the needs and aspirations particularly of the poor and deprived sections of society and with local communities, than the leadership of government, business and labour.
- Such organisations must model the values and practices we have underlined here, e.g., by promoting just employment practices in their groups; by reviewing their investment decisions; and by using their limited resources for the good of those most in need.

5. ATTITUDES

- The most enlightened and well-considered economic policies will not, on their own, guarantee economic justice.
- Human beings design and implement policies; they can make choices.
- Attitudes, therefore, are crucial to determining economic choices.
- The economic system will exert a strong influence on people’s ideas, but it must not be presumed that the system can determine people’s attitudes and choices.
- Personal options will depend largely on the values we choose to live by.
- Unfortunately, transitory values seem to be central to so many people – money, status, power, the spirit of competition, self-interest.
- Such values tend to favour narrow personal interests, often at the expense of the needs of others.
- So, for example, money is invested in view of achieving the greatest reward, rather than where it will do the most good. This leads to economic injustice.
- It is at the level of attitudes that the greatest transformation must be sought.
- The faith community has a special role to play in promoting attitudinal change, but so do government, business, labour and other sectors of civil society.
- To achieve economic justice, attitudes towards society and the needs of the country, and the willingness to find a balance between legitimate personal wishes and the common good of all, must be rooted in the kinds of values emphasised throughout the document.

The Biblical Jubilee Principle and the Relevance of Debt Cancellation for Redistribution

Peter-John Pearson

INTRODUCTION

The point has to be stressed that "the Bible without justice does not hang together". According to many biblical scholars, the "Jubilee" as described in the Old Testament was never really practiced, but that Jewish communities in the post-exile period have tried to implement it to some degree. For us today, the Jubilee is a symbol and challenge of justice. We need to exercise our minds by stretching our imagination, since imagination is central to our conscience. Imagination is also essential for the rethinking of economic institutions.

1. KEY TEXTS

(See, Leviticus 25; other texts Deuteronomy 15: 1-3; Jeremiah 34: 8-16; Exodus: 21-23, 46: 17; Nehemiah 5:1-13; 1 Maccabees 6:48-54.)

Deuteronomy 15 and Act 4 are examples of praxis of liberation. Exodus 21 is less patriarchal than the other texts, while Nehemiah shows greater sensitivity to the poor and the weak. Key issues of understanding the Kingdom of God are found in the gospel of Matthew, e.g., Last Judgement Mt 25.

Prophets in the post-exile period rejected piousness and religiosity that come without justice. Amos warns the rich to allow the poor to glean the fields. Isaiah calls for regular justice. Luke in his gospel picks up on this theme and portrays Jesus as the Jubilee announcer.

2. THE CHALLENGES AND DEMANDS OF THE JUBILEE LAWS ACCORDING TO THESE TEXTS

The Jubilee laws require a:

- forgiveness of debt
- return of land to the original owner(s)
- release of slaves and bonded labourers
- rest for all, including the land

Building on a theology of connectedness, planet earth and the land should be our focus today.

Accompanying liberatory texts show the glaring failure of leaders to fully understand the liberatory power of these principles.

The Three Jubilee themes with special references to debt and God's judgement are:

- Sabbath rest – land rest every seven years; no exclusive ownership of land; all could partake of what grows wildly.
- Emancipation (see below).
- Social renewal – thinking differently about our resources:
  - – build inclusive society
  - – old way of looking at reality has to be changed. In Luke we see Jesus fulfilling and showing his followers
  - – when rethinking we need to look at the end of Leviticus 25 (end of the priestly code).

Using our imagination we must not just ask for forgiveness of debt for the poorest. Rather, the Jubilee should be used for restorative justice, to return things that were stolen, for the redistribution of wealth.

The Catholic Parliamentary Liaison Office looks critically at the public meaning of private religion. The theologian Balusariya of Sri Lanka said we must challenge the North and not be dictated to by these countries. We need to ensure that the victims of apartheid receive reparation.

In terms of emancipation from debt, we must think wider than just the cancellation of debt. We need to look at the biblical way of using our imagination, and must not continue to allow our thinking to be dictated to. Debt and poverty are not inevitable. We are at the point of re-imagining what we want; the assumptions that dominate economic discourse now are not the only ones that are valid or relevant.

A fundamental biblical norm for social structures is egalitarianism. We must retrieve this and must critique the inequality of global economy on these grounds.

The Jubilee text does not target kings and leaders but makes the community responsible for change. The Jubilee concept allows for the understanding of social debt – namely society's debt to those from whom work, creativity, etc., have been stolen. In terms of this, the North owes restitution to the South.

Those who have been exploited should be paid, and creditors must pledge to restore what has been taken unjustly. The North must be challenged to pay restitution (see Zaccheus story in Luke 19).

CONCLUSION

Faith communities must embrace economic issues, and the Church is one of those rare organisations that has both a local and a global constituency.

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Women, Micro Job Creation and Self-Employment: The Experience of People's Dialogue*

Iris Namo

INTRODUCTION: THE PHILOSOPHY – DEVELOPMENT AND PARTICIPATION

The alliance of *uMfelanda Wonye* (The South African Homeless People's Federation) and People's Dialogue (its non-governmental organisation – NGO – partner) is a process by which the urban poor reclaim their power to choose. By coming together and comparing their experiences, the poor are able to see that they have options, and that their collective resources can help them make better use of those options.

Through saving, they can bring their own resources into the development process, strengthening their capacity and skills to help themselves. Through self-help and collective action, savings scheme members are employed. Job creation is a priority for Federation members.

The South African Homeless People's Federation believes that a critical shortcoming in the communities' capacity to participate in development has been a lack of representative and accountable grassroots organisations that are willing and able to enter into the development process as equals. Through savings schemes and community exchanges, the Federation seeks to rebuild local organisations. Savings schemes develop trust among members and there is a strong sense of ownership from those who have savings invested in the fund. Exchange programmes between communities develop new skills and capacities. They also provide a forum in which communities can extend their understanding into new situations and contexts. Savings schemes, strengthened through exchange programmes, have been able to innovate and implement programmes in housing, land acquisition, infrastructure and, more recently, income generation and job creation.

uMfelanda Wonye is a national organisation set up in 1994 to create housing savings schemes. The Federation focuses on securing land tenure and basic amenities for its constituents, and organises them in the cities and towns where they reside. Through the Federation, women's savings collectives are able to gain recognition in their settlements, and are empowered to play key leadership roles. By March 2000, *uMfelanda Wonye* claimed an active membership of more than 100 000 families. It is now active in 700 informal settlements, 100 backyard shack areas in informal neighbourhoods, three hostels and 150 rural settlements. This means that about 530 000 very poor men, women and children have direct links with *uMfulanda Wonye.*

The growth of the housing savings schemes (South African Homeless People's Federation)

	July 93	*July 94*	*April 95*	*April 96*	*Jan 98*	*July 99*	*July 99*
Saving Schemes	58	137	198	316	1000	1100	2000
Active Savers	2178	7002	9627	17 280	40 000	50 000	70 000
Total Savings	R34 000	R165 000	R272 000	R453 000	R2.5 mill	R3 mill	R3.5 mill

*South Africa Homeless People's Federation and People's Dialogue on Land and Shelter

Women savers currently outnumber men by a ratio of 9:1.

As mentioned, People's Dialogue is the NGO component of the two-organisation alliance. People's Dialogue is a registered voluntary organisation established in 1991 as a vehicle to explore ways for a non-racial South African government to work with poor communities through partnerships. Today, People's Dialogue has offices in Johannesburg, Cape Town, Durban and Queenstown.

1. SAVINGS AND LENDING

The Federation is a network of autonomous housing savings schemes. The benefits of savings-based development interventions are multiple:

- *Saving brings communities together.* Savings activities start long before housing development. By saving together, families learn to trust one another. This trust provides the basis for effective collective action. The interaction through daily savings ensures that members are in touch with one another, understanding each other's needs, and support each other through problems in their lives, whatever these may be. A common Federation saying is that "when we collect money, we collect people".
- *Saving and loans enable communities to meet their further individual and collective needs for finance.* Savings schemes have a potential to address the multiple needs of poor families. The skills and resources generated by saving are used in activities related to housing development, crisis loans and income generation support.
- *Saving and loans provide a practical education in household and community finance.* Communities learn financial management skills and individual families better understand how they can reduce their vulnerability and increase their development options through savings. Members begin to take emergency loans and small loans for income generation; in so doing they learn how to plan for repayment and how to manage debt.
- *Saving provides the deposits needed for loans.* Alongside regular saving, members preparing for house building or income generation start saving for their deposit of five per cent of loan value.
- *Saving provides the loan capital for income generation loans needed to ensure integrated neighbourhoods.* Savings scheme loan funds and the regional Inqolobane provide the capital needed to establish small enterprises thereby supporting income generation and strengthening the local economy.
- *Loan funds provide a basis for the Federation to manage subsidy funds and other state contributions to local development.* uTshani Fund is used as a conduit for state subsidy funds. Monies are released directly to the local savings schemes for housing construction.

The Federation is best known for its housing development schemes. However, from the time the first housing savings schemes were established in the early 1990s, income generation and job creation have been added to its activities.

2. EXPERIENCES WITH JOB CREATION AND INCOME GENERATION

Previous attempts to reduce poverty have failed. A major reason for this failure is that ideas and resources have been controlled by professional groups and not by the poor themselves. In income generation as elsewhere, the alliance believes that local members must direct local strategies and processes. At the same time, the alliance recognises the value of appropriate external support in the development of the required skills and capacities to ensure the success of the development intervention.

The most significant source of external support for the South Africa Homeless People's Federation has come from another grassroots organisation, Shack or Slum Dwellers International. Shack Dwellers International is a network of international federations that work with principles similar to the South African Homeless People's Federation. The unity of principles means that ideas can flow quickly between groups, being adapted and modified as experience develops. Both the Zimbabwean and Indian Federations have much experience with income generation lending and both have strong relationships with the South African Homeless People's Federation.

The Indian Slum Dwellers Federation currently has a loan portfolio in income generation lending of Rps. 24 million. The Zimbabwean Federation has rapidly developed widespread expertise in small-scale lending for enterprise development. In Harare, for example, over 50% of savings was being lent out for income-generation purposes within a year of the launch of the Federation.

Income generation lending in South Africa began with the initiation of housing savings scheme in 1992. Between 1992 and 1995, major emphasis was on consolidating activities with the spread of housing savings schemes and the introduction of housing construction. For the most part, housing savings scheme lending was slow and generally for emergencies and consumption purposes. From 1995 onwards, housing investment took priority and by April 2000, the Federation had given out 5000 loans.

In 1998, the Federation turned its attention once more to income generation. While housing savings schemes continued to give loans, it was agreed that something more was needed. In the first quarter of 1998, the South African Homeless People's Federation decided to establish regional funds. These funds are called Inqolobane (the Granary) and savings schemes are encouraged to contribute a portfolio of their savings capital (generally in the region of 50%). The purpose of Inqolobane is to enable larger income generation loans to be given. Individual housing savings schemes have limited funds and therefore they are reluctant to give out loans for income generation that are larger than R1000. The growing experience of Federation members with income generation lending, has resulted in a demand for larger loans.

A further advantage of Inqolobane is that external capital (either from foreign donors or the government) can be blended with people's savings resulting in a high level of local ownership, a stronger management contribution from the beneficiaries and new innovations in how financial institutions can address local development needs. While the initial loans have been financed through savings, the Inqolobane funds are able to re-capitalise their monies through borrowing from uTshani.

During 1998, loans funds were released for income generation from uTshani during the establishment and initiation of Iqolobane. To date, funding through uTshani has been provided to both the Western Cape and KwaZulu-Natal through small and limited resources (R150 000 and R250 000 cash). Individual loans of up to R3000 have been made for a range of enterprise developments. At the same time, uFunde Zufe members have sought to provide support to borrowers through linking up successful entrepreneurs to those who are struggling to manage their businesses.

In 1999 and 2000, job creation and income generation have taken a further step forward as greenfield developments have enabled the planning of both residential and commercial activities. Several of the larger greenfield sites have had areas designated for such developments, with a combination of formal and informal sector activities. Factory houses (with space for workshops and retail outlets) and informal markets will aid Federation enterprise development. The informal markets will assist those living in the residential development, but they will also be open to other Federation members looking for a place to sell their goods.

To further support individual loans and greenfield commercial developments, two pilot programmes for enterprise development with government departments are now in place. Seven Federation housing savings schemes have together received R4 million from the Department of Welfare to explore the role of savings and loans in poverty reduction. The savings schemes are using these funds in three mutually supportive activities:

- Small-scale loans for micro-enterprise development (a continuation of present Inqobolane lending of up to R3000).
- Large loans to groups of Federation members, specifically targeting those in need of income support and with ideas for larger scale commercial activities.
- Commercial areas with retail units and market areas to help create trading opportunities and to consolidate informal trading and production in one area with obvious benefits to producers and consumers alike.

The group loans are targeted to the poorer members, some of whom are too vulnerable to risk taking individual loans. The group component will enable direct skill within the group and will reduce the likelihood of any particular family crises damaging the emerging business. The location in the commercial centre will facilitate Federation support. Once a first round of businesses have been established, these groups will provide the training grounds for the expansion of the model through community exchanges (as is common Federation practice.)

The commercial areas will enable the development of market areas in existing settlements and will complement Federation development in greenfield areas. Local Federation groups will manage the centres and the provision of essential services to users of the centres. Employment opportunities will be used to support those in need, providing job creation opportunities for some members without alternative options. In so doing, the Federation will draw on the experience of the National Slum Dwellers Federation in India, where community managed toilet blocks are staffed by women with no alternative source of income.

The second pilot programme is with the Department of Water Affairs. People's Dialogue and the Federation have been hired as social development advisers to the Department's national Working for Water programme. The role of the Federation is to support the development of cooperative associations and to help develop a range of secondary industries that will emerge out of the programme. Workers are encouraged to save and join the Federation.

The following brief case studies deal with people in the Federation who have borrowed funds for income generation. Several things are noteworthy about these case studies.

- None of these people are likely to have received credit of this kind, for these purposes, from any other source. Most are women pensioners. Some are not entrepreneurs in the conventional sense, rather they are survivalists. They are not necessarily creating wealth, jobs or building a black middle-class, but they *are* addressing poverty directly and in a sustainable way.
- The loan terms, and the purposes for which they may be used, are set by the Federation, not by an external programme or business plan. The loans are used for a variety of income generation schemes, for improvements to housing assets, as well as other needs as determined by the households and their savings schemes. Existing micro lending programme such as KhulaStart or Ntsika Enterprises would not consider some of the users, partly because they do not lend for consumption or housing, but also because some of the income-generation activities are rather unorthodox. The saving schemes, however, are based in the respective communities and understand well the livelihood strategies of their members. They are willing to work with them on whatever they determine to be best for the household, within the standards of their own community.
- Loans are repaid on schedule; indeed, some are already fully repaid.
- Most of those involved have increased their monthly incomes to a level above or near the national poverty datum line.

2.1 Piesang River, KwaZulu-Natal

Viera Madonda is a member of the Sezesasebona Housing Savings Scheme. She borrowed R3000 on 26 June 1998. There is still R853 remaining. Her loan was spent on a deep freezer (R1700) and stock (R1300). She sells about R300 worth of stock each week making a profit of between R50 and R100. She spends R50 each month on electricity (lights, TV, iron, and freezer). She cooks with paraffin, as electricity is too expensive. She spends a further R20 a month on petrol which she pays to a friend who drives her to town to collect meat. Viera has a stipend of R500 from the uFunde Zufe. She suffers from high blood pressure and is diabetic. She is currently building a house and hopes to finish it soon.

Antony Mabaso is a member of the Patrick Hunsley Savings Scheme. He started a tuckshop some years ago. In February 1999, he borrowed R3000 to increase his stock. He turns over between R300–R350 each week day and R400–R600 at weekends. His shop is in a plastered room in a cement-block house. A small room adjacent to the shop provides a space for men to sit on wooden benches and drink beer. He makes between R1000–R1500 each month. He finished paying his loan in December and now wants to take out another, as he needs more stock.

Irena Khosa is a member of the Vukuzale Housing Savings Scheme. She applied for a loan from uTshani to start a tuckshop at the edge of her plot. A cement-block house stands in the middle of the plot. The loan was not available until July 1999, and by then, she had already borrowed money from a friend. Instead, she used the uTshani loan to buy an electric cooker for her kitchen. She has just finished paying back the loan. She now wants to borrow R6000 to extend the shop and provide a place for telephones.

Esther Nzama borrowed R1500 in June 1999. She now makes R450 a week from the sale of beer, vodka and meat. Each week she buys 10 cases of beer, one case of vodka plus a tray of sausages and a box of chickens. She buys the cases of beer for R42.50 and sells each bottle for R4.50. The case of vodka costs R108 and she sells it in "nips", for R10 a nip; each bottle containing 3.5 nips. The sausages are bought for R50 and sold for 50 cents a sausage, with about 200 sausages per tray. The chicken is bought for R105 and sold at R120. Previously, Esther received a stipend of R500 a month – she now makes about R500 a week from income generation.

Vivian Khuzwayo is a member of the Vukuzale Housing Savings Scheme. She borrowed R2000 from Inqobolane in August 1999 and makes repayments of R150 a month. She sells beer, cold drinks, cigarettes and groceries. Her daily income is about R160 on weekdays and R240 at weekends. Her profit, which she finds difficult to calculate, on cold drinks and cigarettes is 20% and 25% of the selling price respectively, which suggests an income of R800. Her shop is, however, more sparsely stocked than Mr Mabaso's, and not as well located (it is up a hill, in a shack).

Gladys Nkabana is a pensioner member of the Patrick Hunsley Savings Scheme. She borrowed R3000 in April for a deep freezer (R2000) and stock. She repays R150 each month. Gladys sells small plastic bags of frozen milkshake to children, the innards of animals and meat soup. She sells the goods from her kitchen and also finds it difficult to work out how much profit she makes. "When my grandchildren come they help themselves", she tells us. Each month she buys 8 packets of milkshake mixture and makes 60 bags to sell from each packet. She buys the mixture for R13 a packet and sells each bag for 30 cents. The soup sells at R3 a bowl and she makes between R20 and R40 a day from these sales, depending on how cold the weather is. She estimates the cost of a sausage to be about half of what she sells it for. Her meat sales are about R50 a day, with a cost price of R21. In total, Gladys makes about R1200 a month excluding electricity used for cooking and the freezer.

Tozi Buthelezi is a member of the Vukuzale Housing Savings Scheme. She borrowed R3000 in September 1999. She is selling beer, cold drinks and ice-cream from her home. R1500 was spent on cement to plaster her house and the other R1500 was spent on stock. She already owned a deep freezer. She is a pensioner with five children; her husband is not working. She repays R150 a month, but has only made two payments. Daily sales comprise about R25 in ice-cream, R20 in beer and R30 in cold drinks. Daily costs are R8, R16 and R25 respectively, translating into a daily profit of R26. Sales are higher at weekends. Tozi's monthly income is between R750 and R1000.

2.2 Protea South Gauteng

Jane Masimula belongs to the Sebanzani Housing Savings Scheme. She borrowed R3000 in March to purchase a container to expand her business, selling cold drinks, beer and charcoal. The loan was spent on a container (R1700), a fridge (R1400) and R600 worth of stock. An additional R100 was spent on a counter, which someone in the settlement made for her. The extra money came from her savings. The electricity supply in the container is illegal and therefore free. Her sister provides transport for supplies and charges nothing – she also has a shop. In her new business, she sells frozen meat, which she braais at no additional charge, and cold drinks. Her sales are R120 during weekdays and R200+ at weekends. Indicative margins on the meat are sausages, purchased at R120 and sold for R224. Cold drinks are purchased for R43 a case, and sold for R5 a can. Jane estimates she makes R800 a month.

Tilly Ngubeni received R3000 in March for additional supplies to her tuckshop. She is repaying the loan at R100 a month. The loan was used for items such as cold drinks, frozen meat, bread and beer. Her electricity is also free and she spends R60 on petrol to collect supplies twice a week. The loan almost doubled her stock. On weekdays, she takes in between R150 and R180, and on Fridays, Saturdays and Sundays she takes in R200–R300. Tilly does not know how much she makes. Her margins on bread are 12% and on meat, cold drinks and snacks, 20%, 40%, and 49% respectively. It is difficult to calculate income as the children help themselves to food but the profit margins suggest it is likely to be between R1000 and R2000 a month.

Nhlala Machete and *Tryna Raduba* both borrowed R3000 in March to start a hairdresssing business. They have been looking for a suitable location and are hoping to sign a purchase agreement on a shack in a well-located street, with the Community Policing Forum validating the agreement. The shack will cost R1200. They will have some R2000 left for dryers, sinks and chairs, with the remainder of the money having been spent on supplies. They are not sure of their income yet. Mama Machete is currently making R300 a month from causal hairdressing for friends in her house. They will employ a third person to assist with braids at a wage of about R30 a day. Both women have agreed to pay R100 a month in repayments but they are hoping to repay the loan more quickly.

Paulina Mazazan is also a member of the Sebanzani Housing Savings Scheme. She borrowed R3000 in January 2000 and is also repaying R100 a month. She already had a small spaza shop, but used the loan finance to increase her stock. R1500 was spent on additional stock for the shop, while R450 was spent on a paraffin tank and a further R450 was spent on the first tankful of paraffin. Paulina is unsure of her profits. She saves R100 from the shop each week, and thinks of this as her profit. Her husband has a pension and this is enough to live on and to pay school fees and transport. On weekdays, she takes in about R180 and at weekends, R400 a day. Her profit margins on paraffin, bread, candles, eggs, and mealie meal are 11%, 14%, 6%, 136% and 26% respectively. This suggests her income is over R1000 a month.

2.3 Oukasie

Susan Mweti borrowed R3000 in January 2000 to print savings books. Repayments are R150 a month. The first 1000 books were printed in February at a cost of R1200 and are now sold out. A second thousand were printed in March and 600 remain. The rest of the money is in the bank. Susan would like to sell other stationary items such as pens, paper, exercise pads and posters.

Anna Ramotsho borrowed R3000 in December to sell coats, jackets, skirts and blouses. She spent about R1000 on clothes. The skirts she bought for R70 and sold for R120. The blouses were bought for R80 and sold for R120. Business was good but most of the items were sold on credit and it was difficult to collect the money. She now hopes to work with her mother-in-law who lives in the rural areas, buying for societies and receiving payment immediately – groups such as funeral societies purchase similar clothes (blue skirts and red tops, for example). When it became difficult to obtain the monies owed, Anna branched into fruit and vegetables. Every Thursday she buys supplies for about R200 which she sells at the weekend for R320–R350.

To date, more than 400 loans have been given out from Inqolobane for larger income-generation loans. These augment the hundreds of small loans that have been provided by savings schemes directly to their members.

3. CHALLENGE FOR THE POOR

The savings schemes bring together their members (the vast majority of whom are women) and provide them with a forum to address their needs. These needs are varied, and hence the activities of the Federation include land tenure, housing construction and the provision of infrastructure and services. One of the clearly identified needs of the Federation is that of increasing incomes.

The Federation is committed to meeting the needs of all its members, including those who are poorer and most vulnerable. It does not seek to replicate many of the conventional micro-financial programmes that support more likely entrepreneurs, many of whom are among the better-off members of the community. Rather, it seeks to use savings and loans to support a collective process that builds trust and cohesion among poor, often landless, women in informal settlements.

The Federation has a diverse approach to income generation in order to achieve its goals of meeting the needs of its poorest members. As described above, there are three distinct components to the programme:

- Existing lending to individual members for loans up to R3000.
- Group loans targeted to the poorer members, some of whom are too vulnerable to risk taking individual loans.
- Employment in the commercial centres themselves.

CONCLUSION

The Federation and the People's Dialogue have an open mind with respect to whether or not these strategies will effectively involve their poorest members and do so on a sufficient scale. Far too little attention has been paid to the need for inclusive strategies for income-generation and economic development and, with a few notable exceptions, for the most part micro-finance institutions for enterprise development have given little attention to this problem.

The Federation is determined to address this issue in order to enable all its members, even the poorest, to secure the income they need for themselves and their families.

The Effectiveness of Social Security Systems in Reducing Inequality

Hans Hemmer

INTRODUCTION

The discussion of strategies to bridge the gap between rich and poor in South Africa – and within those strategies, the discussion of social security systems – may benefit from some empirical findings:

- The ideological battle between market economics and socialist economics led empirically to a much faster economic growth rate for market economies without bringing in a worse result for the lowest quintiles of the population.
- A recent study published on the Internet shows that, for a sample of about 90 countries, a one per cent increase in economic growth improves the situation of the poor by one per cent – at least in tendency and average.
- Those countries that have introduced a policy of reform at the same time following a strategy of public-private sector cooperation and openness to international trade, as well as consequent human capital formation and under stable political and macroeconomic conditions, have not only attained the best economic growth results, but have also shown the most significant reductions of poverty.

These findings, among others, are responsible for the worldwide tendency towards a better market orientation of many economies, a better acceptance of the results of the price mechanism, and – as a logical part of this – towards more open economies and globalisation.

1. DETERMINANTS OF POVERTY

The question, however, remains: which conditions have to be met for a person (and internationally, for a country) to become competitive in a market oriented environment? In the market, non-competitive actors will be unable to participate profitably. It is therefore important to analyse the preconditions for market participation, and to think about policies to improve the situation for those who have not yet reached that competitiveness. And the process towards that is a learning curve.

From the point of view of the poor, competitiveness can be found if they are able to earn enough money to buy goods required for basic need satisfaction. This ability depends:

- on their availability of resources that can be used productively. In rural areas, land is important, while human capital is important in both urban and rural areas. Empirically, human capital differences explain more than two-thirds of the existing income between persons.
- on their chances to use their resources efficiently. This has to do with institutional conditions valid for the people, and it is often dominated by employment opportunities.

This again, depends on the technology people have access to, their knowledge, their access to goods and capital markets, the payments they have to make (to the state and private groups) and the price of necessity goods.

To summarise, the two most important determinants of poverty are (and this seems to be true also in South Africa):

- property rights (ownership or user rights) of resources, mainly land and human capital
- the whole institutional framework.

Both determinants are the result of the social system people live in – at the local, provincial, national and international levels. Poverty eradication can only be reached if this social system is changed in such a way that the poor get better opportunities.

Change of the social system means: more empowerment, better participation, better information, more stability and reliability of the system, a new understanding of economic and developmental needs, better access to already established markets, etc.

The problem is: how can we create such changes? In terms of poverty eradication, this is our greatest challenge. The poor cannot create such change alone; they need the help of strong advocates. Here I see an important role for the church and non-governmental organisations.

2. SOCIAL SECURITY SYSTEMS

A social security system without political reforms may contribute to poverty alleviation, e.g. by transferring income to the poor. But to eradicate poverty, my above listed determinants of poverty have to be changed, and this can only be done by a social security system that offers financial transfer only.

On the other hand, efficient social security systems are possible without paying income transfers if they improve the social system that the poor are locked in. This includes changes to labour market regulations, e.g., laws against child labour are effective social security systems without payments. Such reforms can contribute to poverty reduction without the transfer of money.

Some bottlenecks exist in the context of social security interventions:

- If money is involved it has to be ensured that the transfer system is reliable and stable. The reliability of existing institutions is a prerequisite for sound economic development. This is valid for investment as well as for a social security system.
- Changes to the social security system are difficult as the dominant elite often block such change. What is needed is a strong government willing to decide – if necessary – against the elites, but can we expect this? What are the real aims of political leaders?
- Changes only contribute to development if they are accepted by the majority of the people.

The international community carefully monitors any national changes to ensure they fulfil international acceptance norms. This is also apart of globalisation.

CONCLUSION

Globalisation can improve the economic position of many people, while others lose out. The internal structural conditions of a particular country will influence whether it is possible to keep the number of losers low. This, however, is not the problem of globalisation but of the societies affected by it.

Globalisation is just the last step in the chain of the widening of possibilities for the division of labour and labour specialisation – preconditions for improved standards of living.

Historically, we started with the division of labour in families. This switched over to ethnic group, to villages, extended to the national level and is now international.

Globalisation – like all others type of divisions of labour – opens up many possibilities. It depends on the individual whether this opportunity will be utilised. And that depends on the institutional framework of society as a whole.

Annexe
Economic Justice in South Africa: A Pastoral Statement

Southern African Catholic Bishops' Conference

INTRODUCTION

It is gratifying for South Africans to realise that their country evokes a high level of admiration for the manner in which it has moved away from the horrors of apartheid into a new political dispensation that – in principle – upholds the rights of its citizens.

However, we remain painfully aware of the many social problems that beset our country: crime, corruption, lawlessness, a lack of respect for life, an incidence of HIV/AIDS infection among the highest in the world, a frightening degree of poverty and a totally unacceptable rate of unemployment.

As we prepare for our second democratic election, the Southern African Catholic Bishops' Conference has decided to single out for special attention the issue of the economy and its effect on people's lives. We live in a world in which a quarter of the earth's population consumes 80% of its resources; and in a country with one the highest differences in income between rich and poor.

If these situations continue to exist dire consequences are inevitable. Indeed, many of the social problems we have just mentioned are either the result of, or are exacerbated by, these basic economic injustices. It is no exaggeration to say that, both in South Africa and in the world as a whole, we are sitting on an economic time-bomb. Our present approach to the way in which we produce and consume goods, and to the distribution of wealth, is not only deeply inequitable, it is also unsustainable.

The poor who are with us today and the generations of people yet to be born have a right to demand of us that we strive for a more just, a more equitable and a more sustainable economics.

It is our hope that this pastoral statement will contribute towards this search. We contend that the key to achieving economic justice lies in human attitudes, for it is our attitudes that underlie our actions and inform our decisions. As individuals and as a nation we need to develop a social conscience which recognises the injustice of poverty and unemployment and which leads us to take action against it.

Undoubtedly, the development of an effective social conscience will not happen quickly. It will have to be striven for and the striving will have to be widespread, involving all sectors of society. We therefore invite government, business, labour, civil society and ordinary men and women to study this pastoral statement, to respond to its ideas and suggestions, and to consider other ways in which we can advance the cause of economic justice.

The goal of a just economy may seem far off, even unattainable. But let us remember what we have already achieved as a nation – the end of apartheid, the beginning of national reconciliation, and significant progress towards peace and stability. As in the past, we should place our faith in the grace of God and in the goodwill of our sisters and brothers as we embark on this stage of our journey towards full social justice.

1. THE CHURCH'S PROPHETIC DUTY

It is a matter of record, and it is accepted even by many of those who upheld it, that the system of apartheid was a great evil. It robbed people of their God-given human dignity, it caused untold suffering, it dehumanised both its victims and its perpetrators. Thank God, through the hard work and sacrifice of so many South Africans, we have achieved a new, just and democratic political life in our country. It is not perfect, but it is incomparably better than what went before.

It would be a grave mistake, however, to believe that this new political justice has brought with it an end to suffering and an end to oppression, and that full human dignity has been restored to our people. It cannot yet be said that all South Africans have an equitable share of the opportunities and the material conditions which are necessary to ensure their full human development. For this to be achieved a second transformation is needed, a transformation of our economic system from one which now, as in the past, tends to serve the interests of a minority at the expense of the rights of the majority, to one which accommodates the rightful and reasonable hopes and ambitions of all our people. It is the need for this transformation which is the focus of this letter.

We are aware that when we opposed apartheid and called for a just and democratic dispensation, people often asked why the Church was "interfering" in politics. Similar voices may now question why we are speaking out in the area of economics. In both cases the idea is put forward that matters of religion, faith and morality must be kept separate from "worldly affairs"; that the Church should focus on the "next world", and leave politics to the politicians and economics to the economists.

The Church rejects this idea. We have a sacred duty to preach the Good News and to spread the values of the Gospel. And it is these values, of truth, justice and love, that compel us to speak out against injustice of whatever kind in whichever sphere of life it is found. We do so not only as a way of helping to lift the burden from the victims of injustice, but also in order to bring those responsible for unjust systems and practices to see the harm they are causing.

The Church is deeply concerned about all aspects of human life and strives to promote not only the spiritual, but also the social, cultural, political and economic development of all people. If the Church were to fix its gaze on heaven, to the exclusion of those things which so profoundly affect the day-to-day lives of the people of God, we would be failing in our duty of faithfulness to the Gospel of Jesus.

2. DISCERNING ECONOMIC JUSTICE

When we speak of "the economy" or "an economic system" we are speaking of the policies and plans which control the wealth and resources of a country, about how resources are distributed between people, and about how the means of production – such as land, factories and technology – are owned and controlled.

It is sometimes suggested that economic laws, like the basic laws of nature, are beyond human control; that we can no more influence them than we can defy gravity or stop the motion of the planets. Therefore, it is argued, the existence of poverty and unemployment, and the inequitable distribution of wealth, are the result of inescapable economic laws, and must be accepted as such. When suffering and even death flow from these "inevitable facts of economic life", that is simply unfortunate, it is said, just as it is unfortunate when suffering and death result from a natural disaster. Although we sympathise with the victims of an earthquake or a flood, we do not consider such natural occurrences unjust or immoral. In the same way, the argument continues, we should not regard an economic system as unjust or immoral, though we regret the suffering that may be part of such a system. Some people will be poor and some rich, inevitably and unavoidably, just as some will be the victims of earthquakes and floods, and some will not.

This argument must be rejected. It fails to take into account the fact that economic consequences come about as a result of human agency. At the heart of every economic system lie human needs, human abilities and human decisions, and it is the choices which we make in addressing those needs, sharing those abilities, and making those decisions, that determine the justice or injustice of the economic system. (The more powerful our economic position, the greater our freedom of choice, with the poor and the marginalised having very little effective choice in their economic decision-making.) There is thus a moral quality about an economy, a quality which has its roots in the morally correct or incorrect choices made by people; and it is the moral quality of the economy that enables us to make judgements about whether or not it is a just economy.

It must be clearly stated, however, that these moral judgements are not made simply on the basis of the type of economic system under consideration. Various economic systems exist, each with its own theoretical foundation and its own practical application. For example, in a free-market economic system, people are largely free to make their own decisions about economic matters, with little or no intervention by the state. Factors such as supply and demand, and profit and loss, guide the choices that people and businesses make – if a certain product or service is demanded, someone will supply it, as long as there is a profit to be made in the process.

In a centrally-planned economic system, to give another example, we find that the state does intervene. Supply and demand, or "market forces" as they are sometimes called, are not regarded as capable of meeting the needs of the people. Consequently, the state exerts control over the economy and limits people's freedom of choice in economic matters.

The Church does not judge on economic grounds between these various systems, partly because they are continually changing to meet new circumstances and challenges, and partly because, in practice in most countries a mixture of these systems prevails. In addition, and very importantly, understanding how the different economic systems work tells us little or nothing about which of them is more, or less, just than the other. To judge the morality of an economic system we must look to other factors, factors which may be present regardless of the underlying economic system itself:

- *Poverty:* It is often taken for granted that poverty exists and that it is simply the fate of some people to be poor. Indeed, Jesus' words that "You have the poor with you always…" (Mt 26: 11) are often used to justify this assumption. In the modern world, however, it has long been the case that sufficient wealth and resources exist to wipe out poverty, if only they were properly distributed. The same is true for most individual countries, apart perhaps from the very poorest nations in the world. The fact that so many people, even in rich countries, still struggle to survive from one day to the next – and that untold thousands die every year from lack of food, lack of basic health-care and lack of shelter – is an indication of economic injustice in those countries. In essence, the problem is not that these economies are unable to meet the basic needs of all their people, but that they are organised in such a way that they fail to do so.
- *Unemployment:* Most people rely on work in order to earn a living. It may be formal employment, earning a wage in exchange for giving labour, or it may be through some form of self-employment such as small-scale farming. Either way, there are very few people who do not have to work for a living. One of the main tasks of an economy, therefore, is to ensure that there are enough jobs, or opportunities to work, to meet people's need to earn a living. Where there is high unemployment we have an indication of an unjust economy.
- *Rich and poor:* In many economies there is a small number of very rich people and a large number of very poor. Even if no-one is living in absolute poverty, the existence of this gap indicates that the interests of one group are favoured in relation to the interests of the rest of the population. This denies to the majority their rightful share in the available wealth and resources, and an economy which permits or encourages such a situation is unjust.
- *Discrimination against women:* All too often women are denied equal economic opportunity. Certain jobs or professions are closed to them, they are paid less than men for the same work, or employment practices do not accommodate women as mothers. An economy which treats women in this way is unjust in that it denies the inherent dignity and worth of half the population.
- *Materialism:* A materialist approach is one which elevates the importance of material things such as money, possessions and status, above that of people and of people-centred values such as love of neighbour, the well-being of the whole community, and concern for the poor. When material considerations enjoy priority such values will be undermined, and a materialist economy will inevitably be an unjust one.
- *Greed:* The desire of individuals for ever-greater wealth, well beyond what they will ever require to live a comfortable and secure life, can only be satisfied at the expense of other human beings and of the planet. In all economies, even those with high rates of

growth, there is only a limited amount of wealth available for distribution. Greed and selfishness on a large scale result in some people monopolising a disproportionate share of this wealth, causing others to go short of the necessities of a decent standard of living and destroying the environment. The planet cannot sustain an economy based on a principle of unlimited growth.
- *Threats to family life:* The family is the basic social unit; anything which harms family life will inevitably harm society as a whole as well as its constituent individual members. An economic system which encourages migratory labour, mandatory overtime work and Sunday labour, and which fails to provide wages which are sufficient for the needs of a family, is unjust.
- *Environmental degradation:* An economic system that damages the environment – air, water, and the earth itself – causes harm not only in the present, but in the future. The unnecessary production of pollution and hazardous waste; the destruction of indigenous eco-systems; the extinction of species; the unsustainable use of natural resources – all these are examples of economic injustice which will have an even greater effect on coming generations than on those currently alive.

These, then, are some of the characteristics of an unjust economy. But what do we mean when we talk of an unjust economy? In reality, an economy has no autonomous existence of its own; it is a product of human activity. Therefore, when we say that an economy is unjust, we are really judging the human actions, decisions and behaviour that manifest themselves in what we call "the economy". We are passing judgement as to the rights and wrongs of the choices already referred to. Clearly, then, all of us – since we are all active in the economy in one way or another – bear a moral responsibility for the economic choices we make; and, through them, for the general well-being of society.

However, the moral responsibility of people when they make economic choices is often obscured by the existence of a complex series of relationships, rules, practices, ways of doing things, and patterns of behaviour. This complex series, which also occurs in other spheres of life, such as the family and politics, needs to be understood before we can move on to a more practical analysis of our own economy.

3. ECONOMIC STRUCTURE

An economy is created by millions of people playing various roles at various times. Most people operating within an economy can be compared to the bricks in a building – each plays a role, but an insignificant one, and each can be replaced without changing the look of the building. In the same way, most of our individual economic activities can be changed without affecting the overall economy; but if enough of us change our economic behaviour, the economy as a whole will change.

There are some whose economic decisions have a much greater impact – bankers, financiers, politicians, chief executives, economists and so on. They are like the lintels, the reinforcing, the beams of a building – even a small change in their behaviour can have a major effect on the whole edifice. Thus, such people have a much greater influence on the economy, and the consequences of their economic choices are more profoundly felt.

There are others who are pushed to the margins of the economy, who have little or no role to play. They may have been useful at some point, but they have been denied a permanent place in the economy. These people are like the rubble, the broken bricks and the excess sand and stone which, once the building is functional, are taken away and dumped.

Then there is the type of economy, be it capitalist, communist, socialist or perhaps some combination of these. Each brick and each structural piece of a building comes together according to a plan or a blueprint. It is this plan which determines what kind of building it is, how well it fulfils its purpose, and how it impacts on those who use it. Similarly, we conduct our economic lives in the context of an overall plan or set of policies. We may live in a system where the means of production are privately owned – capitalism – or in one where they are owned by the state – communism. Just as the plan of a building provides the basic structure into which the bricks and other components must fit, so the policies according to which our economy is operated provide the economic structure in terms of which we live our economic lives.

Of course, it is much easier to think of a building as a building, rather than trying to imagine all the different bricks and other parts individually. Similarly, we tend to think of the economy as a whole; it would be impossible to imagine each and every economic action or decision individually. However, the fact that the economy is so complex can lead to certain problems in the area of our moral responsibility for our economic choices:

- We can very easily start to believe that we are insignificant as individuals; that the economy is so complicated and so huge that our individual actions and decisions are of no consequence. As a result, we lose a sense of responsibility for those actions and decisions, thinking that whatever we choose to do is only a "drop in the bucket" and therefore not really important. Thinking in this way can soon result in our choosing the convenient or the selfish option, regardless of its "ripple effect" on others and on the economy as a whole.
- We can come to believe that things are simply "the way they are", and that the negative aspects of the economy, such as poverty and unemployment, are inevitable. We accept that these "economic realities" are somehow preordained, rather than the result of human agency. This lessens the responsibility we should all feel, especially when our economic choices may be adding to those negative consequences.
- The idea of bringing about a change in the economic system, or an adjustment in the way it is run, or simply of dealing with its negative consequences, begins to seem impossible. We resign ourselves to the fact that such a large and complicated structure cannot be modified or altered to become more just. And if change is impossible then we can absolve ourselves of any responsibility for things remaining as they are.
- Finally, we transfer our responsibilities to certain abstract concepts, and we pretend that it is these concepts, rather than ourselves, that are accountable for the way the economy works. For example, we are told that "capital is leaving the country" when what is really happening is that people with money are deciding to invest it overseas; we hear that "the market is worried" about interest rates when it is actually people who have money to invest, or who need to borrow money, who are worried; we talk of "market forces" being responsible for the success or failure of a business, when in fact it is we who decide whether or not to buy what that business has to offer. Behind these various concepts lie human actions and decisions, real economic choices made by all of us. Of course, there is nothing wrong with using these concepts as a sort of "shorthand", a way of talking about economics. The problem arises when we use them, intentionally or not, to diminish or exclude our own responsibility. We impute human qualities, as it were, to these concepts and make them answerable for the consequences of our actions and decisions.

In the face of so large and so complicated a structure as the economy, it is all too easy for us to neglect our moral responsibilities. Each of us, even the most influential, is but a small part of the whole; economic trends are largely unpredictable and bringing about significant and worthwhile change is extremely difficult. Any number of well-intentioned interventions can be seen, with hindsight, to have done more harm than good. Given all this, and the simple fact that by far the majority of us are not confident of our grasp of economic issues and discourse, it is perhaps understandable if we prefer simply to get on with our lives, avoiding the difficult choices and the complex arguments. For the Christian, however, and for all people of goodwill, this is not an acceptable option. We cannot abandon our moral responsibilities, even when it is difficult to fulfil them.

When the Church considers the morality of an economic structure or of an economic decision, it is primarily interested in the impact of that structure or decision on people. When an individual economic decision has an unnecessarily negative impact on people it is easy enough to say that it is sinful. Decisions motivated by greed, for example, can be judged this way. But we can also judge economic structures. An economic structure based on racism or which perpetuates Third World debt is itself sinful; those who benefit from such structures are tainted by that sin, and bear a responsibility for the suffering that inevitably flows from sin.

In answer to the moral problems that arise from ever-changing economic systems, the Church has over a long period of time formulated a coherent body of social teaching on this subject. This teaching establishes certain basic principles which can be applied to any economic system or phenomenon. Thus, while much social teaching, especially in this century, was a response to the conflict between Western capitalism and Soviet communism, the central principles can equally well be applied, for example, to the contemporary trend known as globalisation. By using these principles – which we will explore in the next section – as guidelines for our economic lives, we can be confident of making the correct choices and of developing appropriate structures.

4. CHRISTIAN ECONOMIC VALUES

At the heart of the Christian Gospel is Christ's commandment: "You must love your neighbour as yourself" (Mk12: 30). If everything we did was measured in terms of this instruction we could be sure of acting justly in all matters. But it is sometimes difficult to apply such a broad statement to our everyday activities, especially when we are dealing, as we have seen above, with the complex and highly structured area of economics. It is often hard to know what exactly the consequences of our economic choices will be. Let us consider, therefore, some of the concrete measures of "love of neighbour" developed by the Church, which we can use to guide our economic actions and decisions.

- *The common good:* Throughout history people have been bound together in community with one another. As it is sometimes said, human beings are "social animals"; we depend upon each other for our well-being and development, and it is impossible for any of us to live fully human lives as isolated individuals. From this it is clear that we have duties and responsibilities towards each other, and that we should order our lives in such a way that we advance not only our own interests, but the interests of the whole community. Indeed, the only way in which we can truly advance our own interests is by recognising and promoting the community's interests, or in other words, the common good. In the field of economics, therefore, we should avoid those choices which, while they may appear to be to our individual advantage, are not favourable to the good of the community as a whole, the common good. This does not mean that there is no room for personal advancement, or that we have to put aside our own desires and ambitions and concern ourselves exclusively with the good of the rest of the community. It means, rather, that we must find our own interests within the framework laid down by the common good. We must recognise that what is good for the community is good for us, and what is bad for the community is bad for us. Because we are bound together and dependent on each other, it is an illusion to think that a choice which harms the community can, in the long run, be anything but harmful to us as individuals.
- *Solidarity:* Our awareness of the importance of the common good leads us to order our lives and adapt our behaviour accordingly. We adopt an attitude of solidarity towards others and towards the whole community; we become aware of the needs and concerns of others, and "make them our own". Solidarity is not simply a question of feeling sorry for others, a vague notion of wanting to contribute to their well-being, but a joining with others in a deep commitment to the common good. As such, it acts as a clear and powerful motivation, a guideline for the way we live our lives.

  A very important aspect of solidarity – when we are discussing the economy – is a commitment to regional cooperation. Economic justice cannot be confined to one's own country. All too often prosperous economies, which largely succeed in providing for their own people, exploit their neighbours, whether by undermining the latter's industries or by trapping them into unfavourable trade relations. Thus, solidarity cannot be limited to a purely domestic virtue; it must reach across national borders as well, especially to the poor of the nations with which we trade.
- *The option for the poor:* Since, in practice, the common good is not sufficiently highly cherished, and since too many people fail to live in solidarity with the community, it is inevitable that there are those who suffer as a result of these failures. These are the poor, the oppressed, those living on the margins of the community, those whose interests have been neglected or ignored. As such, they are especially entitled to solidarity, to the special commitment of the rest of the community to remedy the situation in which they find themselves. It is this special commitment which the Church calls the "preferential option for

the poor". In practical terms it means that our economic actions and decisions must not only avoid harming the interests of the poor, but must actually contribute to their upliftment. For this reason economic efficiency is not the primary consideration; the poor must be given privileged treatment, even at the cost of some measure of technical inefficiency.

The option for the poor can be exercised not only in favour of the materially poor, about whom we are mainly concerned here, but also towards those who have been marginalised because of race, gender, disability, religion, or for whatever reason; indeed, such classes of people often tend to be materially poor as well, as a direct result of being marginalised. Also, it must be understood that the poor are not passive recipients of this option, but active participants in its exercise – they must demand what the common good requires for them, and they must exercise the same solidarity among each other as the community as a whole must show to them.

Of course, the option for the poor is not an option against the rich – as we have said, we are bound together and what serves the interests of the common good also serves our interests as individuals. Therefore, the option for the poor is a call to the rich to participate in the upliftment of the poor, to the benefit of the whole of society.

- *Subsidiarity:* The principle of subsidiarity protects the rights and dignity of individuals and groups in the face of the powerful, especially the state. It holds that those things which can be done or decided at a lower level of society should not be taken over by a higher level. As such, it reaffirms our right and our capacity to decide for ourselves how to organise our relationships and how to enter into agreements with others. In the modern world the increasing concentration of economic power in the hands of a minority, and the growing power of large corporations, tend to deprive individuals and groups of such rights and capacities. Economic policies and choices can reinforce this effect and lead to ever greater power accruing at higher levels of the economy. We can and should take steps to encourage decision-making at lower levels of the economy, and to empower the greatest number of people to participate as fully as possible in economic life. On the other hand, there will always be a role for the state and the large corporation, especially in coming to the assistance of individuals or groups which are incapable of acting alone. Indeed, even at the level of global economics there are states which need this assistance; here the United Nations and other international institutions have an important role to play.
- *The common destiny of goods:* The Church has always upheld the right to private property, seeing it as an essential aspect of human freedom. However, this is by no means an absolute right – it is subject to the overriding consideration that all created goods are intended for the good of humanity as a whole. Thus, the way owners of property use their goods – be they land, money, technology, natural resources or manufactured things – must take into account the fact that they belong in the first instance to the community as a whole, and that we, as individuals, have a right of use over them for the common good. We abuse this right when we use goods in a selfish manner, when we deprive others of their right to those goods and to the benefits which flow from them. This can occur through wasteful or extravagant use of our property, or through attempts by the few to gain greater and greater wealth at the expense of the majority. Such behaviour harms the common good of the community, and is a denial of God's purpose in providing us with the created world and its resources.
- *The integrity of creation:* While it is true that we have been given the created world in all its richness and diversity, creation is not ours to do with as we choose. We show our respect for the Creator by the way in which we relate to all that God has created, the things of which the book of Genesis says: "God saw that they were good"(cf Gen 1). We are called to a stewardship which we have to exercise with due reverence and responsibility. Our economic activity must respect the inherent goodness, indeed, the holiness, of the created world. Activities which result in ecological destruction or which unduly deplete natural resources are not only an abuse of what has been given to us, but a denial of that gift to others, especially to future generations.

- *People-centredness:* Economic decisions must always take into account the interests of the people who will be affected by those decisions. These, rather than the maximisation of profit or the achievement of financial targets or the fulfillment of theoretical or ideological goals, must be prioritised. Another way of thinking about this is to consider the manner in which we talk about people in the economy. People are often described as "human resources", an economic ingredient along with various material resources such as capital, land, technology and so on. The danger here is that we place these different resources on a par, and value them equally, when in fact "human resources", precisely because they are human, must be treated differently. People are both the cause and the purpose of economic activity, whereas other resources are only the instruments, the means we employ in the economy to reach its true end – the well-being of all, the common good. The economy exists for people, not people for the economy; for this reason the Church teaches that labour – meaning workers and management – must enjoy priority over capital.

These values – the common good, solidarity, the option for the poor, and so on – operate as beacons to guide us on our economic journey. Whether we are speaking of the profound and far-reaching economic policy decisions made by governments, or of the role of business, or of the day-to-day economic choices made by individuals and groups, such as where to invest money, how to spend it, or how to use our talents and abilities, we need to refer constantly to these values. If we allow these values to guide us in our economic actions and decisions we can be sure that we are promoting just economics; and the resulting economy will be a just one, in which poverty, greed, materialism and unemployment will have no place.

We turn now to an examination of the South African economy, analysing it in the light of what we have said concerning those things which indicate economic injustice, and bearing in mind the Christian economic values which we have just considered.

5. THE SOUTH AFRICAN ECONOMY

It is impossible for any South African to be unaware of the large numbers of our people who still lack the basic necessities of a decent life. Poverty, homelessness, unemployment, lack of access to proper health-care and education – all these are apparent to anyone with eyes to see. At the same time the government is cutting back on expenditure in many areas. Welfare grants have been reduced, teachers have been retrenched, there appears to be no money to employ more police and court officials, and so on. It is tempting, in the face of all this, to think that South Africa is a poor country, with the same lack of wealth and resources as many other African countries, and that our economy is simply unable to provide for the needs of our population. According to this view, the millions of poor South Africans have little to look forward to, and relief from their poverty is but a vague dream.

Such an attitude would be mistaken, and would contribute nothing to the much-needed solution to our economic problems. South Africa is in fact not a poor country, but a relatively rich one, incomparably better off than our neighbours. As an indication of this, we need only glance at the respective average yearly incomes of individuals in some other African countries, as compared with South Africa. In US dollars the average income in Senegal is 570, in Ghana 390, in Mozambique 85, and in South Africa 3160. Further afield, in Sri Lanka it is 690, in India 340, and even in Poland, an industrialised European country, average income is 2270. These figures explain why, rather than being seen as a poor country, South Africa is classified by the World Bank as an upper middle income country.[1]

All this raises the question as to how it is that, given such relatively favourable figures, up to half of our population lives in poverty. The answer, of course, is to be found in the defining characteristic of our economy, the vast disparity in income between rich and poor. While a small minority of our people enjoys an extremely high level of income, many millions find themselves with Lazarus, surviving on the crumbs from the rich man's table. Our analysis of the South African economy must start with an investigation of this phenomenon.

5.1 Rich and poor

As we have said, even where no-one lives in absolute poverty, the existence of a glaring disparity in income levels indicates an intolerable imbalance in the way wealth and resources are distributed. How much more so, then, is this the case in our country, where up to 53% of our people are indeed living in poverty.[2] The situation is even worse when we consider the average income figures given above – clearly, the simultaneous existence of such high levels of poverty and such relatively high levels of average income can only mean that a very small number of people hold a shockingly disproportionate share of the wealth. This is borne out by the shameful fact that South Africa has one of the highest Gini coefficients in the world, 0.58, as compared to an average of 0.46 for developing countries and 0.34 for developed countries.[3]

It may be argued, of course, that those who enjoy the highest levels of income have achieved this through hard work and that they deserve the benefits of their efforts, regardless of the poverty afflicting others. There are many reasons for rejecting this argument. Firstly, it is sinful to keep for oneself an overabundance of wealth when one's brothers and sisters are suffering and even dying for want of simple necessities. In such a situation it is of no consequence how and why some people come to be excessively wealthy while others starve; Christian justice demands that sufficient sharing takes place to ensure that the basic needs of all are met.

Secondly, in the context of South Africa it cannot be denied that our painful history has resulted in a state of affairs in which a small minority was, and to a large extent still is, able to appropriate to itself the lion's share of the country's wealth and resources; in fact, both colonialism and apartheid were intended to produce just this result. Whether through inequalities of opportunity such as lack of decent education and health-care, or through direct coercion such as the practical enforcement of migratory labour on the mines and the use of virtual slave labour in agriculture, or through statutory measures such as the laws which deprived people of their land, successive political dispensations in South Africa conspired to produce an economy which advantaged a minority by disadvantaging the majority.

In South Africa more than in most countries, the rich are rich because the poor are poor. Uncomfortable as it may be, those who today enjoy a luxurious standard of living cannot distance themselves from the past, and from the moral debt which they have inherited.

Thirdly, even if the demands of charity are rejected, and even if it were possible to argue that those enjoying excessive wealth are fully justified in doing so, common sense dictates that our society cannot prosper under these conditions. As we have seen, the good of each of us in the long term is secured and promoted by the common good of all. Self-interest requires, therefore, that those who have in abundance must share with those who have nothing. Failure to do so can only precipitate social instability and threaten the well-being of all, rich and poor. History abounds with instances where the rich and powerful have brought about their own downfall by refusing to recognise in good time the legitimate demands of the poor.

In conclusion, in the matter of rich and poor, it must be said that this is by no means a simple question of race. Changing the racial composition of the two groups provides no solution. The increasing number of black South Africans assuming positions in the economic elite of our society will not, of itself, close the gap between rich and poor. And as long as this gap remains at its current scandalous levels, the future of our country is at risk.

If the gap between rich and poor is unacceptable, then so too is the actual degree of poverty in our society. It is not necessary for us to provide a detailed breakdown of the indications and symptoms of poverty in South Africa; no-one with any awareness of their surroundings can fail to notice it. A few indications will suffice: we have already seen that half our people live in poverty; in addition, we have high rates of malnutrition and infant mortality;[4] one in six South Africans live in shacks; over half our people have no running water in their homes;[5] and hundreds of thousands of elderly people have no income other than the monthly R520 old-age pension, which they often have to share with unemployed dependents.

5.2 Poverty

It is important for us to have some grasp of the extent of poverty, to understand its causes and its consequences, and even to discern what the solutions to the problem may be; but it is all too easy for this to become a mechanistic exercise, a matter of rands and cents, in which we lose sight of the true significance of poverty. In an economy such as ours which, as we have seen, is more than capable of providing the necessities of life for all its people, the existence of poverty is a denial of what we have termed Christian economic values – the common good, solidarity and people-centredness. It is a sign that the economy has strayed from its true purpose, the equitable and fair distribution of wealth and resources, and has instead become a tool of sectional interests. Avaricious economic competition, with inevitable winners and losers, has replaced economic cooperation in which all are assured of, but none are limited to, the necessities of life.

By tolerating such high levels of poverty, the South African economy undermines the common good and fails to demonstrate the solidarity that our shared human dignity demands. Profits continue to be put before people, and in a general sense, the economically empowered tend to pursue their own enrichment while neglecting the basic needs of the economically disempowered. And it comes as no surprise to find that it is the great majority of the same section of our population that until recently suffered under political tyranny that continues to suffer under an oppressive economy. Regardless, once again, of considerations of justice and Christian charity, common sense surely dictates that such a situation cannot prevail for long without resulting in serious social instability, to the detriment of all, rich and poor.

One of the main reasons for our high rates of poverty is the failure of the economy to provide sufficient jobs. While it is true that no economy is able to assure sustained full employment, joblessness in South Africa is not just a matter of a few per cent; it is an extremely serious problem.

5.3 Unemployment

In order to derive benefit from an economy, people must be able to participate in it; and for most people, the primary means of economic participation is through work. Indeed, throughout human history it has been a basic norm that all are expected to work, and thereby to contribute to the economy. Those who refuse to do so, for no good reason, have generally been excluded from the benefits of the economy. However, if society expects all its members to work and to contribute, then it should make it possible for them to do so. In this regard a profound responsibility rests on both the political authorities and those who hold powerful positions in the economy. Everything possible needs to be done to maximise job opportunities, and where the choice is between greater profits and greater employment, the latter must be chosen.

In South Africa this is a matter of the greatest urgency. Approximately one out of every three economically active people is without work.[6] As long as this remains the case there can be no hope of achieving a secure and prosperous future for our people. In some parts of the country unemployment is at nearly 50%,[7] meaning that each worker has to support not only his or her own dependents, but another worker and his or her dependents as well. Thus, unemployment affects not only those without a job, but also those who have work. In consequence, the poverty and the rich–poor gap which we have already mentioned can only be exacerbated. Furthermore, such a scale of unemployment acts as a huge drain on the state's resources, further reducing its ability to provide much-needed social services.

The harm caused by unemployment is by no means limited to material matters; there is also an enormous social cost. While simplistic deductions must be avoided, there can be no doubt that a connection exists between high rates of unemployment and the distressingly high incidences of crime, family breakdown, domestic violence, gangsterism, and drug and alcohol abuse which beset our society. Many of these social problems in turn impact negatively on the economy, resulting in a vicious circle which will only be broken by the provision of jobs.

But there is more to the question of unemployment than just its economic and social costs, severe as they are in our country at present. Even if unemployment did not impact negatively on the economy, and even if it was not a cause of the social problems we have noted, it would still be a denial of an essential element of human dignity. Through work we cooperate with the Creator in bringing to fulfillment the created world; we exercise our God-given abilities and talents as co-workers with God in the great task of transforming the material world. Work is not simply an onerous necessity, coincidental with our physical existence, a burden which we should try to escape. It is a vital part of our humanity, the manifestation of our creativity, an opportunity for our growth and fulfillment. Indeed, work is nothing less than a constituent dimension of the purpose for which the world was created and for which we ourselves were brought into being.

Of course, it is not always easy to discern these noble ideals in all the different kinds of work which we experience. Many people, perhaps even the majority, find themselves working in exploitative or demeaning situations which are as much of an affront to their dignity as unemployment would be. What is needed, therefore, is not just work, but humane and dignified work. Nevertheless, we are concerned for present purposes with the need for work itself to be available to all our people, work which, however humble or exalted it may be, satisfies our innate desire and responsibility to reach fulfillment. That so many of our people are denied this opportunity is a shameful injustice, especially since it is so often the result of the excessive pursuit of profit or of economic policies which fail to take adequate account of the inherent value and dignity of the human person. Work is indeed a right, a right which, as a nation, we fail to respect at our peril.

In this regard it is disturbing to note the current tendency to lay the blame for unemployment at the door of workers themselves and their organisations. The oft-repeated charge is that organised workers constitute an elite which, through demands for higher wages without commensurate increases in productivity, is responsible for the inability of the economy to create more employment. In recent years, however, labour productivity improvements have outstripped unit labour costs.[8] Furthermore, there is no evidence to show that, in the absence of demands for higher wages, employers take on more staff.

While these three factors – the gap between rich and poor, poverty and unemployment – are clearly the greatest obstacles in our quest for a just economy, the other characteristics of an unjust economy which we alluded to above are also present in our situation.

5.4 Materialism

It is good and proper that those who work hard, who develop their abilities and who take on responsibility should be rewarded for their efforts. And it is fitting that incentives should be provided to encourage people to do these things. However, a balance must be achieved in which material values such as wealth, status and power do not become the dominant or sole motivation. If this happens, more important values such as the common good and solidarity tend to be neglected or altogether ignored.

There are numerous examples of this in our country. Much has been said about the "gravy train" in the public sector, in which often excessive salaries and benefits are provided to holders of public office. These are justified as being necessary either to attract qualified people or to lessen the temptation presented by corruption. Both of these justifications indicate that the value of service to the community is perceived as secondary to the material value of wealth. Again, status symbols such as expensive cars are routinely provided, and in many cases, demanded as somehow enhancing the dignity and worth of the recipient. Such tendencies not only act as a drain on the resources of the state, limiting its ability to finance important social needs; they also set an example for the community at large. The message is that public life is an opportunity for self-enrichment, rather than an opportunity to serve others.

Materialism in public life stems, in large part, from the overtly materialist nature of the private sector. Here, success is measured largely in terms of a person's wealth or influence, of the number of possessions they have accumulated, of what they earn and own. People are encouraged to aspire to ever greater material wealth, to "get ahead" of others, to compete, sometimes ruthlessly, for a bigger share of what is available. It is disturbing to note that so many people are prepared to receive their education and training in South Africa, often at vast expense, through the state, to the community as a whole, and then leave the country simply in order to maximise their earnings. There is little sense of the duty which we all have to contribute, to put back into society what we have received from it.

It must also be pointed out that materialism is not confined to the rich. Even the relatively poor can allow materialist values to dominate their lives. Where this happens, whether for rich or for poor, the economy becomes nothing more than an arena of competition, where the best-equipped, the luckiest or the toughest prosper. In the absence of the truly human values, the weak, the ill-equipped or the unlucky fall by the wayside.

Once again, it is a question of balance. It is entirely legitimate to strive to increase one's wealth, and to enjoy the fruits of one's labour, but this must happen in harmony with one's social responsibilities. Material values should be accorded their proper place in relation to social, spiritual and moral values. Where this balance is disturbed, as it is in our economy, injustice is the inevitable result.

5.5 Greed

Even when the trap of materialism is avoided, and human values are recognised and maintained, the temptation to excessive consumption is always present. Each of us must discern for ourselves what our real needs are, how much of this world's goods we really require in order to live a fulfilling and dignified life. As long as we can meet our needs we should be content, given that there are almost always others whose needs are not being met. This is not to say, however, that we should reject all comforts, all the pleasures that can be derived from what God has given us on earth; but simply that we must always bear in mind the needs of others, especially where, as in South Africa, millions of our brothers and sisters lack the barest necessities.

Unfortunately, the dominant ethic in large sections of our society appears to be one of consumerism, a preoccupation with the acquisition of money and goods even to the point where it becomes impossible actually to use them, and satisfaction is derived merely from having them. This is nothing less than a form of idolatry. It is all the more harmful in that it occurs at the expense of others. Since there is a limited amount of wealth available, the greed of one is directly linked to the deprivation of another.

5.6 Lack of dignity

We have already mentioned that many people find themselves working in demeaning and oppressive circumstances. In a wider sense our economy as a whole tends to place a large proportion of our population in a situation of lifelong drudgery, struggling merely to survive from one day to the next. Huge numbers of people are reliant on various forms of charity or on welfare grants as a result of there being seemingly no place for them in the economy. In some of the biggest employment sectors in the economy, such as mining and agriculture, conditions of employment and remuneration are often extremely poor, and fail to meet the necessary standards of human dignity. Indeed, in agriculture it is no exaggeration to say that conditions of virtual slavery prevail in some instances.

While human dignity is not directly dependent upon material considerations, it is nevertheless the case that the growth and development of our social and moral capacities require that our physical needs be met. Where these needs are neglected or ignored it becomes extremely difficult, sometimes almost impossible, for social and moral standards to be upheld. Hopelessness and frustration set in, leading, in many cases, to crime, domestic violence, drug dependency and the like. An economy in which a significant proportion of the employed have little prospect of anything but a lifetime of unstimulating, low-paid, mundane work, merely in order to survive, invites the social problems which we are currently experiencing. Respect for human dignity demands that workers be treated as more than just another "input" along with capital, machinery and technology.

5.7 Women

In recent years many legal obstacles to the employment and advancement of women in the economy have been removed. Laws have been introduced which prohibit unfair discrimination against women in the workplace, and which encourage special measures to ensure that women are represented in greater numbers at all levels. Nevertheless, it is still the case that women face a range of cultural, social and traditional barriers to their economic advancement. As a social category, women are far more likely than men to be unemployed, to live in poverty (often with the added burden of having to support children), and to lack marketable skills. They are also poorly represented in the top levels of the economy. To this can be added the fact that many women also face other barriers, such as race and background. Black rural women in particular are at an enormous economic disadvantage in comparison to virtually any other group in our society.[9]

5.8 Family life

A healthy family life is essential for a society to develop and prosper. Therefore, an economy which stresses and pressurises family life must be avoided. In this regard it is deplorable that the system of migratory labour is still prevalent in our country, forcing tens of thousands of families to live apart. We are also seeing a tendency towards routine overtime work, which deprives parents of adequate time with their children and other dependents. Sunday trading is becoming the norm, even in the most non-essential fields. Apartheid's imprint on our cities means that vast numbers of workers have to spend hours travelling from their homes to their places of work, effectively lengthening the working day to the point where there is insufficient time for family interests and recreation.

These circumstances are already responsible for much social dislocation in our society. This occurs not only at the level of the individual family, but also in the wider social units of the village and the local community which are so characteristic of and beneficial to our society. Unless those aspects of our economy which have such a negative impact on family and community life are addressed, the situation can only deteriorate further.

We end this brief analysis of the injustices in the South African economy by considering three further factors which, though not peculiar to South Africa, are undoubtedly obstacles to economic justice in our country.

5.9 Land

It is no coincidence that both colonialism and apartheid set out systematically to deprive the majority of our people of their land. People's ties and access to the land had to be eliminated in order, among other reasons, to force them to participate in the formal economy by selling their labour. An abundance of cheap labour was – and to a large extent still is – central to the development of our economy, and where it was not freely available, it was coerced by forcing people off the land. To this day an overwhelming proportion of the productive land in South Africa remains in the hands of the minority which obtained it historically by unjust means. Landlessness continues to disadvantage millions of our people; it deprives them, to a considerable extent, of an important source of economic security; and it forces them, on unequal terms, to provide the cheap labour which results in increased profit for those who benefit most from the economy.

Despite commendable efforts by the government, land restitution and redistribution programmes have only scratched the surface of the problem, and much more needs to be done to address this historical, and continuing, injustice. To date relatively few land claims have been settled, and most of these – as well as the majority of claims still outstanding – concern land in urban areas.[10] At the same time, there are regular reports in the media of farm workers being evicted from farms in spite of the enactment of new legislation intended to provide them with greater security of tenure. Taken together, these facts highlight the pauperised existence of the country's rural black population. A concerted approach to a new land ownership and land-use policy is needed to address this problem.

5.10 Debt

Apart from any considerations of justice, the apartheid system was an extremely expensive one from a financial point of view. It gave rise to a proliferation of costly and wasteful bureaucracies, it required vast spending on "defence", including the occupation of Namibia, and towards its end it caused sanctions and boycotts to be applied, forcing the previous government to finance its expenses by borrowing from its own people.

This is not the place to attempt a detailed analysis of our debt problem. The salient points are that roughly 95% of our central government debt is owed to institutions within South Africa, and that the greatest part of this debt was accumulated by the apartheid state. The need to service this debt now acts as a drain on the new administration, and profoundly limits its capacity for much-needed social spending. Interest payments on the debt – which account for 22% of total government spending – accrue very largely, though by no means exclusively, to those who benefited most under apartheid; while those who endured most continue to suffer inasmuch as the need to service the debt is given priority over their legitimate demands for social services.

In addition, a substantial amount of public sector foreign debt was accumulated under apartheid, most of which is not reflected in government's budget, but the servicing of which continues to drain our foreign exchange reserves.

This is clearly an intolerable situation. Just as, in the global arena, poor countries subsidise rich countries through the iniquities of international debt, so in our country, the poor continue to subsidise the rich by virtue of an internal debt which was not acquired on their behalf. The debt is thus a drain on the economy in general, and a particular burden on those who have been, and continue to be, especially disadvantaged economically.

5.11 Corruption

While it is notoriously difficult to arrive at accurate figures to show the economic damage done by corruption, there can be no doubt that it is a serious problem in South Africa. In the private sector there is widespread tax evasion, double invoicing and other forms of dishonesty which deprive the state – and thereby the community – of much needed resources; not to mention those types of corrupt behaviour, harmful business practices, insider trading and so on which disadvantage others in the private sector.

Similarly, in the public sector examples of corruption abound, ranging from nepotism to bribery and downright theft of state property. In other cases officials fail to follow the correct procedures, resulting in losses of substantial amounts of public funds. And, even though it is not strictly speaking a question of corruption, there is the matter of a civil service which appears, in some areas at least, to be poorly managed and overstaffed. Such a civil service becomes wasteful of resources and a drain on the economy, rather than an economic asset.

Although various others came to mind, these are some of the main problems and injustices besetting our economy. However, they are internal problems; we must also consider external factors. In the next section we take a brief look at some of the most important features of the world economy, as they relate to South Africa.

6. THE WORLD ECONOMY

Many of the challenges and injustices which we have identified in our own economy are to be found at an international level as well. While it is not our task here to survey in any detail the world economic scene, we must make reference at least briefly to some of the most important factors, especially where they have an impact on our own economy.

6.1 Globalisation

With each passing year methods of communication and transport become faster and more sophisticated. Decisions made in one country are implemented almost immediately on the other side of the world. Multinational companies operate in numerous countries around the world, and many of them are vastly more powerful, from an economic point of view, than many developing nations. Barriers to trade and restrictions on the flow of money from one country to another are constantly being eliminated.

Taken together, these changes in the international economic order are known as globalisation; and in many ways this is a positive and potentially beneficial trend. However, there is also much about globalisation that is negative, and which threatens the well-being and development of the poorer nations. Profits derived by multinational companies from the resources and labour of poor countries are too easily transferred to shareholders in the rich countries. Increased access to imported goods often leaves local industries unable to compete with the cheap products of underpaid labour in other parts of the world, resulting in downward pressure on wages.

In too many instances, globalisation takes advantage of, and exacerbates, the inequalities between the nations. Poor countries find themselves unable to compete on an equal footing with the rich, and are consequently exploited. The amoral ethos of survival of the fittest, long present in national economies, has now been translated onto the international stage. And as a result, we are seeing the creation of an "underclass" of nations.

Just as it is the duty of the state at domestic level to intervene on behalf of those whose interests are neglected by the national economy, so it is the task of the international community to do so in the name of the poor and excluded nations. Unfortunately, the advance towards a global economy has not been accompanied by sufficient progress in global responsibility and a sense of global solidarity.

Globalisation is having its effect on South

Africa. We are seeing some of our industries failing to compete, at least partly due to the iniquitous working conditions in some of our competitor economies; currency speculation and the free movement of capital have harmed our economy of late; and the introduction of new technologies and mechanised production methods from abroad has led to significant job losses here while sustaining overseas industries.

There can be no doubt that globalisation is a growing trend. While many of its effects are beyond the control of any one country, it remains the duty of states to mitigate its negative effects on their populations. Regional cooperation and solidarity is of the greatest importance in this respect; the advancement of poor countries will be much better served if they stand together than if each pursues its own narrow interests.

6.2 International structures and institutions

Various bodies exist in order to foster international economic development, foremost among which are the World Bank and the International Monetary Fund. Since their inception these bodies have no doubt achieved much that is good. However, especially in recent decades, the prescriptive – some would say arrogant – approach of these organisations has brought widespread suffering to the poor populations of developing countries. An inflexible adherence to free market fundamentalism, as it is sometimes called, has been insisted upon by these bodies as a condition for their assistance. This has had disastrous consequences for the poor: social expenditure has been reduced, affecting already low standards in health and education; food subsidies, which often stand between the poor and starvation, have been cut; and the cultivation of cash crops, rather than food, has been encouraged in order to promote exports.

While these have been the experiences of many developing countries, especially in Africa, it is perhaps one of the few positive consequences of apartheid that South Africa was isolated from these bodies. As a result, we are not indebted to them to any significant extent, and we have not had these fundamentalist policies – usually known as Economic Structural Adjustment Programmes or ESAPs – imposed on us. It is also encouraging to note that there is an increasing recognition that these supposed remedies often do more harm than good, and that the international bodies themselves are reassessing the appropriateness of some of their standpoints.

Nevertheless, no developing country can afford to disregard the risks associated with free market fundamentalism of this nature. As South Africa becomes ever more integrated into the world economy we need to assert the centrality of our own economic values, especially those that favour the poor and the disadvantaged. And we must be on our guard against the imposition of false values and ideological solutions by international organisations which – in the eyes of many – serve the interests of the rich and powerful nations.

6.3 International trade

The relationship between rich and poor nations also comes to the fore in the question of international trade. The exchange of goods and services, and more importantly, the skills and knowledge that creates them, is a positive human activity. What starts out as commercial trade has the potential to develop into a social and cultural interchange, bringing people of different races, religions and languages closer together. Where economic advancement is achieved at the same time, all parties benefit.

As we have seen, though, economic relationships are characterised more often than not by inequality. International trade agreements can exacerbate this situation. Developing countries, desperate for foreign currency, conclude "free trade" deals with rich nations or groupings such as the European Union, which generally favour the latter. While the fragile markets of the poor countries are opened to foreign competition, it is generally the case that the rich countries maintain a level of protection of their own industries.

It is instructive that much of the rhetoric concerning a trade agreement between South Africa and Europe – which European leaders promised as a "reward" for our transition to democracy – evaporated once the actual negotiations started. Instead, the negotiations proceeded on the basis of narrow self-interest with no indication that the richer, more powerful party was prepared to make the type of generous and open-hearted concessions that its rhetoric had promised. This is precisely the kind of trade agreement that typifies a world economy in which the rich countries do only what is necessary to entrench their position. What they "give" to the developing world is generally only as much as they have to in order to gain access to new markets, to cheap labour and to raw materials. Instead of solidarity, competition is the motivating factor.

Of course, to speak of rich and poor countries is to speak in relative terms: South Africa is itself a rich country in comparison to many of its neighbours. Just as we must speak out against the injustices of international trade when South Africa is the victim, so must we object when our country disadvantages another. Certainly, we must be sensitive to the fact that some African countries have objected to some of our trade practices.

6.4 The myth of unlimited economic growth

It is understandable that many developing countries seek to reach the level of material wealth achieved by the developed world. And it cannot be denied that we should all strive for a situation in which everyone has access to adequate food, clothing, shelter, education and health-care.

However, at some point it must be realised that the resources of the earth are finite, and that we are already using up some of them in an unsustainable way. Because of this, it is simply impossible for the whole world to reach the material standard of living currently enjoyed by citizens of the richest nations. It is beyond the ability of the earth to supply enough raw materials, energy and probably even food to make that possible.

To put it another way, the high levels of material consumption by the developed world of fuel, of electricity and of other natural resources have already led to vast environmental degradation. It is probably not even possible for these levels to be maintained in the long-term; it is certainly impossible for the other 80% of humanity to reach them. Unfortunately, much international economic activity is based on the assumption that such levels of consumption are possible for everyone, if only certain plans or programmes are followed. Unlimited economic growth, it is said, will flow from a willingness to "follow the rules of the game", as the rich countries have done.

The reality is different. To a considerable extent, the wealth of the rich countries has been built upon the cheap labour, raw materials and export markets offered by the poor countries. The very inequalities of international trade and the indebtedness of the developing world combine to keep the rich countries rich and the poor ones poor. The developing world does not need the empty promise of unlimited economic growth leading at some vague point to material well-being. Instead, what it needs is a willingness on the part of rich countries to scale down their levels of consumption, and to accept standards of living that are sustainable and which do not continue to cause environmental degradation. This, in turn, would make possible a better balance of wealth between rich and poor, and the elimination of poverty would become a reality.

These features of the international economy will have their effect on our efforts towards greater economic justice domestically. For one thing, the freedom of our economic decision-makers in government is severely constrained by globalisation. They have to take into account the possible reactions around the world to any bold moves they may wish to make. And they have to deal on our behalf with the powerful institutions and trading blocs which we have just looked at. Nevertheless, each sovereign nation retains its autonomy to a very considerable extent, and it is no excuse to claim that international factors preclude efforts to bring about justice at home. There is much that can be done, some of which we will describe in the next section.

7. WHAT CAN BE DONE?

The Church is reluctant to prescribe specific economic policy (or to prescribe exactly how to solve all the problems listed above). Nevertheless, it has a responsibility and a duty to go further than simply setting out just economic principles, as we have done earlier in this letter. Where particular economic policies or practices have an adverse effect on people, the Church is obliged to criticise them, and where possible, to suggest alternatives.

In doing so we first address the major role-players in setting economic policy – government and business – and suggest practical steps which can be taken by them in order to achieve a more just economy. We then go on to address other role-players, namely labour and civil society, and we end with the question of people's attitudes, calling for the type of attitudinal change which is necessary for the promotion of economic justice.

7.1 Practical interventions

We have argued elsewhere in this letter that all our economic decisions – how we spend our money, where we invest it, how much we borrow or save – have an impact on the overall economy. However, for practical purposes, there are two major role-players in setting economic policy – the government and the business community. In addition, organised labour and civil society also have significant roles. We will deal with each of these in turn.

7.2 The role of government

Governments everywhere have a responsibility to ensure the welfare of their citizens. One important way in which they do so is by formulating policies and strategies which will enhance the economy and enable it to meet the needs of the people, and especially the needs of the poor and the vulnerable. The extent to which a government should intervene in an economy, and the details of that intervention, will depend on particular circumstances; but where a country's economy, left to its own devices, fails to provide an acceptable level of material well-being for all its citizens, intervention by the government – or more broadly, the state – will be necessary.

In our country, as we have seen, poverty, growing unemployment and the unequal distribution of wealth are major problems. It is therefore our task to judge the government's economic programme primarily by the effect it has had on these problems.

In 1996 the South African government adopted the Growth, Employment and Redistribution (GEAR) programme as its macro-economic strategy. Simply put, GEAR is a set of guidelines and targets in terms of which the government makes and carries out its economic plans and activities.

In two major respects GEAR has failed so far to meet its targets – in economic growth and in job creation. Both of these are vital for the alleviation of poverty and, thus, for economic justice. GEAR projected economic growth of 2.9% for 1997, whereas actual growth amounted to only 1.7%.[11] Its prediction of 3.8 % for 1998 also turned out to be far too optimistic, with actual growth reaching a mere 0.1%.

Regarding employment, GEAR predicted that 126 000 new jobs would be created in 1996, and 252 000 in 1997. In fact, some 71 000 were lost in 1996, and 142 000 in 1997. Thus, GEAR fell short of its job creation targets by 197 000 in 1996 and by 394 000 in 1997. No target was set for the redistribution of wealth, even though this is given prominence in the title of the programme.

All this means that the present economic strategy is not providing the required levels of economic and employment growth. (The figures mentioned above mostly pre-date the economic crisis which enveloped much of the world in mid-1998; this crisis clearly worsened GEAR's failure to meet its targets, but it was not the cause of this failure.) Other initiatives must therefore be considered, and some of GEAR's basic assumptions must be questioned.

7.2.1 Trickle-down effect

One such assumption is that if wealth and prosperity are created at the top end of the economy, they will "trickle-down" to those at the lower end. Following this assumption, it is necessary to accede to the demands of the business community for strict fiscal disciplines, deficit reduction, removal of exchange controls, and reductions in company taxation. The implicit understanding is that, given these conditions, the business community will be able to expand the economy; it will create more jobs and improve existing jobs, ensuring that wealth and prosperity is passed on to those at the lower levels of the economy. Unfortunately, there is little evidence that this is happening, or is likely to happen. Indeed, the evidence is to the contrary. Government has by and large met the demands of the business sector, but economic growth has been minimal and jobs have continued to be lost at an alarming rate. The "trickle-down" assumption has failed to deliver increased employment and wider distribution of wealth, and government must therefore be encouraged to reconsider this assumption.

7.2.2 Budget deficit

The particular assumption that it is necessary to reduce the budget deficit as rapidly, and to such low levels, as GEAR demands, is also open to question. While it is certainly the case that it is unwise for a country continually to spend more than it receives in income, it is also the case that money sometimes has to be borrowed for investment purposes. In the private sector it is commonplace for large sums to be borrowed in order to finance a new factory or other capital expenditure. Correctly applied, such borrowings are an investment, and result in increased profit in the future. There is no reason why a state should not act in a similar way, borrowing money in order to invest it in what is sometimes called its human capital, its people. For example, public works programmes providing much needed infrastructure, and at the same time giving people training and skills, could be a worthwhile investment in the long-term. Such small-scale efforts as the "Working for Water" project of the Department of Water Affairs and Forestry are good examples of this.

7.2.3 Alternative fiscal measures
A more flexible approach to budget deficits, rather than rigid adherence to pre-set targets, would assist in financing such programmes. But borrowing money is not the only option; certain fiscal measures could be taken to encourage job creation and to punish job destruction, with the emphasis on the former. Such measures should be based on a flexible approach to company taxation, in terms of which reductions in company taxation would be offered to companies which have increased their workforce; to companies which adopt labour- rather than capital-intensive methods of production; and to those which go beyond the minimum requirements for training and development of the workforce. Whatever loss to the fiscus would ensue from these measures would be more than offset, we believe, by the expansion of the tax base and the savings in various welfare payments; apart from which, significant job creation – accompanied by skills development – will have profound long-term benefits for the economy.

7.2.4 Personal taxation
Regarding personal taxation, we propose that the tax burden on lower- and middle-income earners be further reduced, and balanced by an increase in estate duties and an increase in the top marginal rate applicable to the wealthiest sectors of the population. Those South Africans fortunate enough to enjoy a high standard of living, and whose material needs are assured, must be encouraged to consider their wealth in the context of widespread poverty. The fact that a relatively small number of taxpayers contribute a high percentage of income tax revenue is not an indictment of the tax system. On the contrary, it is an illustration of the imbalances in our economy, since it shows that the great majority of wage earners earn too little to have to pay significant amounts of income tax. The rich have an opportunity – and a moral duty – to assist in redressing these imbalances by willingly accepting higher levels of taxation, especially when such increases do not threaten to deny them a comfortable standard of living. By embracing such a "solidarity" tax they would contribute further to economic justice and at the same time demonstrate a profound commitment to national reconciliation and the common good.

7.2.5 Job creation by the state
Government also has an opportunity to promote job creation directly by making this a central requirement for successful tenders for state contracts. Job creating tenders should be accepted even where they are not the lowest, for the same reasons which we have given in favour of flexible company taxation.

7.2.6 Support for unemployed
Regarding the unemployed, the state must recognise that, as guardian of the interests of the whole community, it carries the ultimate responsibility for their support. The state already recognises its duty to support the aged, the disabled and, through the Unemployment Insurance Fund, those who have lost their jobs. We suggest that some form of support be provided for all the unemployed, including those who have never held a job.

7.2.7 Privatisation
The issue of privatisation must also be raised, especially in relation to job losses. It is well established that privatisation of state-provided services leads to job losses and, in many cases, to a deterioration in job quality. Concerning the latter, we find that working conditions and job security offered by private sector organisations that take over the provision of such services are usually inferior to those offered by the public sector. While it may be superficially attractive to outsource the provision of services to the private sector, the long-term costs to the commu-

nity of increased unemployment must be balanced against any short-term savings. It must also be clearly stated that jobs must never be lost simply for the sake of profit; and it is the profit motive which attracts the private sector to service provision.

Secondly, privatisation of essential services can and does result in the costs becoming unaffordable for many. The state has a duty to provide basic services such as water, electricity, refuse removal, public transport and the like at costs which are not out of reach of the poor. If necessary the costs of these services must be subsidised out of state funds. If it is proposed that such services be taken over by the private sector, the state must make certain guarantees: firstly, that the poor will still be provided with these services; secondly, that privatisation will not increase costs; thirdly, that the workforce engaged in supplying these services will not be reduced simply to ensure a profit for the operator; and fourthly, that such workers will enjoy the same benefits and working conditions as those provided by the public sector service provider.

There are also those state-owned enterprises that are not in the business of providing essential services. These might possibly be sold off without resulting in job losses or reductions in benefits.

In such cases we strongly urge the state to conduct privatisations in ways that empower as many people as possible. It is better that such assets, paid for by taxpayers over many years, be transferred into the hands of many common owners than into the hands of big business or the already rich.

7.2.8 Economic redress

It must always be borne in mind that much of the gross inequality in wealth and income distribution derives from the ways in which black people were dispossessed of their land and other property, denied training, prevented from taking better jobs, forced to suffer influx control and generally discriminated against. Although the laws which governed all this have been repealed, their legacy is still with us, and those who benefited financially under apartheid now have a responsibility to make economic redress. We urge the government to facilitate such redress through legislative and other measures.

7.2.9 Public debt

None of these measures, however, will have the desired effect if they do not go hand in hand with a serious and creative attempt to deal with the single greatest drain on the economy – the public debt, to which we have already alluded. It would appear that there are various ways to reduce the debt burden significantly without unduly prejudicing anyone's legitimate interests. To date government appears not to have paid sufficient attention to these, nor has it explained why they cannot be implemented. Failure to deal with this problem can only undermine other efforts to achieve economic growth and prosperity for all.

7.3 The role of business

The business community has a deep responsibility to cooperate with government in pursuing such national goals as job creation, wealth distribution and the alleviation of poverty. Businesses are accountable not only to their shareholders but also to the wider community.

We urge business leaders to find ways of preserving and expanding existing employment levels, and to consider that profit maximisation is beneficial only to those who share in those profits. Where the choice is between modest profit levels and increased employment on the one hand, and maximum profits and reduced employment on the other, the former must be chosen.

There are various specific steps available to the business community which would contribute substantially to job creation and job enhancement, and we will mention some of these. But, in a general sense, what is also needed is the development of a mindset which looks with disfavour on retrenchments, favourably on investment in more labour-intensive methods of production, and favourably on investment in people.

7.3.1 Retrenchments

The large-scale retrenchments that have become a feature of our economy, and which treat employees purely as a commodity to be used and discarded at whim, should be an embarrassment to business. When carried out wilfully with a view to profit maximisation – no matter that such terms as rationalisation, right-sizing and outsourcing are used to describe the process – such retrenchments constitute structural sin, and are abhorrent to the Church and to economic justice.

With the best will in the world, of course, there are still circumstances in which business has no choice but to retrench employees in order to survive. When this happens, every effort must be made to soften the blow. Too often, workers receive almost no warning of impending job cuts, and no assistance in finding other employment. All employers, of whatever size, should have in place contingency plans which can be put into operation as soon as the likelihood of retrenchments arises. Compensation must be adequate, as it cannot be assumed that retrenched workers will find other employment.

7.3.2 Productivity

Business leaders continually demand that productivity levels be improved, and they either seek to get more work out of the same number of employees, or to get the same work out of a smaller number. These tendencies rest on the false assumption that the best way of achieving greater productivity is by reducing employment levels. To date tens of thousands of workers have borne the brunt of this assumption by being forced into joblessness and their families into poverty.

A common method of increasing productivity is by expecting employees to put in extra hours of work; this is necessary in order to avoid having machinery and capital equipment standing idle. Thus, rather than employing more workers on an extra shift, the existing staff is encouraged to work overtime and on Sundays. This practice of habitual overtime must seriously be questioned.

Every opportunity to increase the size of the workforce must be taken, rather than relying on regular overtime being worked by existing employees. Where such employees depend on such overtime earnings to make ends meet, it is hard to escape the conclusion that they are not being paid a just wage for their ordinary hours of work.

7.3.3 Technology

The unemployment problem is compounded by investment in new technology and mechanisation. While we do not argue that such investments are invariably undesirable, we do urge that, before decisions are made in this regard, their effect on people and on the country as a whole be seriously considered.

7.3.4 Training

By international standards companies in South Africa spend relatively little on training and development of the workforce.[12] Much more needs to be done in this area, and it is regrettable that government has had to intervene to improve the situation.[13] A voluntary increase in training and development expenditure would have been an indication of the seriousness with which the business community claims to approach matters of employment.

Adequate training is an important requirement for increased productivity at all levels of the enterprise. At present too much emphasis is placed on labour productivity, and not enough on capital and management productivity. Furthermore, increases in productivity per worker often disguise the fact that, as a result of retrenchments, the same output is being maintained by a smaller number of workers. What is needed is increased productivity together with increased employment.

Remuneration

Our brief discussion on the role of business has so far focused mainly on questions of employment, since this is where business is able to make the greatest impact. However, there are other areas in which it can play a part. For example, business must take much of the responsibility for the fact that our workplace wage differentials (the difference between what the highest- and lowest-paid employees earn) are among the highest in the world (South Africa 100:1 Japan 7:1).[14]

This situation underpins the scandalous rich-poor gap which exists in our society, and business leaders are called upon to set the example in redressing this imbalance. The Church teaches that people "are bound to come to the aid of the poor, and to do so not merely out of their superfluous goods."[15]

Therefore, in those workplaces where such huge wage differentials exist, we propose that executive wages be either frozen or reduced until the wage-gap has been substantially narrowed; and that greater attention be paid to a more equitable distribution of company profits, preferably in the form of increased wages to lower paid employees.

7.3.6 Input costs

It is an inescapable fact that South Africa's banks and financial institutions have achieved very high profits in recent years. Some of these profits have derived from speculation in the money markets – with resulting negative consequences for our currency – rather than from investment in the productive capacity of our people and our economic infrastructure. But the high interest rates prevailing in our economy, though not set by the banks, have also contributed to these profits. In addition, there are those companies which exert monopoly, or near monopoly, control in certain sectors of the economy, and which have also achieved handsome profits.

In this context it is important for business to move away from repeated calls for labour market flexibility – which in reality means suppressed wages and benefits – while the costs of other inputs, such as capital and raw materials, remain inflexible. A willingness on the part of the financial sector to accept lower, but still adequate, profit margins would significantly reduce business's capital costs. The same, of course, can be said with regard to monopolies in many of our primary and secondary industries, which lead to unnecessarily high raw material costs. Import parity pricing and export subsidisation also tend to keep the costs of raw materials artificially high. The business community is in a position to address this problem, and it should lose no opportunity to do so. It is unreasonable to expect workers, many of whom earn disturbingly low wages, to make sacrifices by accepting labour market flexibility while others in the economy, notably the banks and the large primary producers, remain inflexible.

7.3.7 Social responsibility

Nothing that we have said so far about the business community should obscure the fact that there are some outstanding examples of business philanthropy and social responsibility; these we commend and encourage. We believe, though, that much more could be done in this respect. Money given to poverty relief, education and training, job creation schemes and the like may well reduce the amount of profit which a business can distribute to its shareholders; but those shareholders must realise that such expenditure is an investment in the future, one which has the potential to benefit the economy as a whole, thereby, in the long-term, benefiting all our businesses.

We conclude by reminding the business community that it is incumbent on it to respond to the steps which, largely at business's urging, government has already taken in the macroeconomic sphere. Regrettably, while we were told that these steps were necessary in order to enable business to play its part in creating jobs and expanding the economy, all we have seen is further retrenchments and "downsizing", while considerable profits continue to accrue to that small part of our population lucky enough to be shareholders.

7.4 The role of labour

Although the view is often expressed that there are three more or less equal partners responsible for economic progress – government, business and labour – it is usually the case that labour has relatively little ability to influence policy. More often than not, workers are on the receiving end of economic policy decisions. For this reason labour has every right to have a voice in economic decision-making, whether in the individual workplace or nationally, through representative organisations, but also as individuals. Especially in our context, where workers have been expressing unhappiness at economic policy, their organisations should insist on their right to be heard.

There are various ways in which labour, especially organised labour, can contribute to economic justice. Firstly, labour must do everything in its power to combat job losses. The Church teaches that, just as everyone has the duty to work loyally, so also everyone has the right to work. By safeguarding this right, therefore, labour will not only assist workers, but play an important role in our overall economic well-being.

7.4.1 The interests of the poorest

Vast numbers of South African workers earn very low wages and are unable to satisfy even the most basic needs of their dependants. Moreover, as unemployment grows the average number of dependants that each employed worker has to support is rising steadily. Such workers are entitled to demand wage increases beyond cost of living levels, and organised labour must continue to represent their legitimate interests, especially those of the lowest paid and the most disadvantaged. It must also be noted that it is absurd to expect such workers to exercise wage restraint. This is all the more the case when management does not do likewise, and there is a disturbing tendency towards precisely such a situation in our country at present. Our expectation is for organised labour to take note of those who earn below the poverty datum line, and to promote their interests.

7.4.2 Productivity

It is essential that productivity levels be improved. Management and workforce share responsibility for this, as we have pointed out above, and a constructive approach from the former in this regard must be met with an equally constructive response from the latter. All workers, at whatever level of the enterprise, must consciously strive to work to the best of their ability, realising that in doing so they contribute to the overall good of the economy. The temptation to increase labour unit productivity simply by reducing the workforce and requiring the remaining employees to work longer and harder, must be rejected. Nominal increases in productivity at the cost of jobs are unacceptable, and organised labour must take the lead in opposing any such development.

7.4.3 Representing exploited workers

We note that many employers have found it to their advantage to reduce their permanent staff and to employ instead "temporary" or "casual" labour. Through our pastoral work we know of many such workers who have worked full-time for the same employer for many years, and yet have never been placed on the permanent staff. In this way these employers successfully reduce or eliminate their liability to contribute to the Unemployment Insurance Fund and to pension or provident funds. In addition, they avoid the inconvenience and costs of employees claiming annual leave, sick leave and maternity leave.

While labour legislation has of late made significant strides towards protecting such workers, ways are continually being found to circumvent employment regulations and to negate the benefits of such legislation. We urge organised labour to find ways of representing these workers and of exposing these harmful practices.

The same principles hold true for those workers who are hired out on a daily basis by labour contractors. They enjoy little or no protection from exploitation, and are too often treated as commodities. Some way must be found to promote the interests of such workers, possibly by campaigning for appropriate legislation.

7.4.4 The unemployed

The interests of the vast number of unemployed people in our country must not be lost sight of. It is often claimed that the demands of organised labour – for improved wages and working conditions – prevent employers from expanding the size of the workforce. While there is little evidence to show that there is any direct correlation of this sort, it is an argument that can be used to justify a failure to create jobs. It must be stated clearly, however, that it is not acceptable to create jobs with unacceptably low wages and poor working conditions. Labour can assist the unemployed by declining to work regular overtime and calling for increased employment instead. This would also secure for workers and their families adequate time for rest, recreation and spiritual development.

These, then, are some of the practical interventions which we believe are available to the most economically influential sectors of our society. We must not neglect, however, the practical steps which are open to other sectors, including, for example, the churches and the non-governmental organisations (NGOs). These too should ensure that they are doing whatever is in their power to create jobs, to provide training and development, to pursue just financial and economic policies.

7.5 Role of civil society

Civil society organisations are motivated altruistically to contribute to the good of society. While very few of them are in a position directly to influence economic policy, they have a role to play in two important respects. Firstly, such organisations often possess a great deal of expertise and experience in fields such as development, education, capacity building and human rights advocacy. These valuable assets should continually be made available to those in government, business and organised labour who are able to influence economic policy. It is encouraging to note that this is happening, and we urge NGOs and community-based organisations (CBOs) to persevere in this regard.

Secondly, while it is often said that such organisations are unrepresentative and unaccountable (and that, therefore, their opinions count for little or nothing), we believe the opposite to be true. Many of these organisations are in closer touch with the needs and aspirations of society, and particularly with its poor and deprived sections, than is the leadership of the other sectors we have addressed. Their views must therefore be taken seriously, especially when it is also the case that these organisations are generally free from party political and profit motivations. Consequently, we encourage civil society organisations to make their voices heard at every opportunity on behalf of those who cannot do so themselves.

The same considerations hold true for the religious community as well; the present letter is an attempt by one section of that community to play its part in highlighting some important social concerns and in contributing to their resolution. In addition, for our part, we commit the Catholic Church to following just employment practices; to a continual review of investment decisions; and to making the best use of our limited material resources for the good of those most in need. But the religious community also has a particular responsibility to ensure that the underlying attitudes of the community are formed in such a way as to promote economic justice. It is to this question that we now turn.

7.6 Attitudes

Even the most enlightened and well-considered economic policies will not, on their own, guarantee justice. Economic theories and policies always have to be translated into reality by human agents – by workers and managers, by government officials, by buyers and sellers. It is here that the question of attitude is so important. The attitudes of people determine the economic choices they will make, and it is these choices which, more than any other factor, will incline an economy towards justice or injustice.

Clearly, of course, the overall economic system in which people make their choices will have an influence, even a strong one, but the system cannot mechanistically determine people's attitudes and choices. Capitalism, for example, by stressing the profit motive, may encourage and facilitate greed, but it cannot force people to be greedy. Socialism, by removing the profit motive, may discourage people from working hard, but it cannot force them to be lazy. To be greedy or lazy, to work selfishly or for the good of others, to want more or to give more, all these are choices which everyone faces on a daily basis. Which option we choose will depend very largely on the values which guide us.

Unfortunately, too many people put their faith in transitory values – money, status, power, and so on. Consequently, their economic choices, based on these values, tend to be those which favour their own narrow interests, ultimately at the expense of others. The economy thus becomes nothing more than an arena of competition, in which the strongest survive. The interests of the weak are attended to, if at all, only to the extent that it suits the strong to do so. This can be seen, for example, when those with money to invest put it where it will brings them the greatest reward, rather than where it will do the most good; when wages are paid not according to what is just, but according to the bare minimum for which people are prepared to work; or when employees seek as much overtime as possible, and in the process deprive others of a job.

These are all examples of economic "bad attitudes" which lead inevitably to economic injustice. No economic plan or policy or theory can withstand such attitudes, and it is therefore at the level of attitude that the greatest transformation must be sought.

7.6.1 Promoting attitudinal change

In this the Churches and the faith community as a whole have a central role to play. We have concentrated, fittingly, on Christian precepts and teaching, but all the great religions of the world have their own social message, in many ways substantially similar to the Christian one. We are blessed in South Africa with the presence of many of these religions, and with a population that claims adherence in high proportion to one or other religious faith. And yet, large-scale economic injustice, as we have seen, prevails in our country. This can only mean that the social message of the religions has been ignored or neglected, or that it has not been communicated effectively. This presents the Churches and others in the faith community with an urgent challenge – to spread their social teachings more zealously, not as an optional extra, but as an integral and indispensable part of their overall message. Once again, the present letter is an attempt in this direction.

Attitudes, however, are not formed only by religious faith; nor are questions of justice the concern only of religious people and their organisations. The various stake-holders in the economy all have a role to play in promoting changes of attitude.

7.6.2 Government
Positive and people-centred values can be engendered through education, through public policy and through the state's many activities in the fields of human rights, development and welfare, to mention but a few. Holders of public office have the opportunity and the duty to set an example, to uphold standards of service to the community, and to place the interests of society before their own.

In this regard holders of public office, such as members of Parliament, cabinet ministers and town councillors, must ensure that they are above any criticism that they are using their positions for personal financial advancement. It has to be said, however, that this is indeed the impression held by many people. In addition, we have to question the notion that our representatives, elected to serve the community, should be remunerated at levels comparable to the private sector.

7.6.3 Business
These considerations also hold true for business and commerce. Regular calls for wage restraint on the part of employees at the lower levels do not appear to be matched by similar efforts at the higher levels. Salaries and packages at the top end of the private sector are extremely high, and are resulting in the creation of a class of the super-rich, be they black or white, while at the other end retrenchments and "down-sizing", as we have seen, are the order of the day. It is no argument to say that private institutions are responsible to their shareholders, who appear to accept the situation; as we have already mentioned, there is also a responsibility to the wider community within which businesses operate. Business and commerce also need to set an example. That exorbitant remuneration is required to attract competent executives is an indication that they are motivated too much by self-interest, and not enough by the needs of the community as a whole. An attitudinal change on the part of business would go a long way to narrowing the huge gap between rich and poor, and to creating a climate where our economic problems could be addressed in a spirit of cooperation between those at different levels in the workplace. We commend those in the business world who have initiated social responsibility programmes and who apply their skills and resources in various charitable and developmental activities.

7.6.4 Labour
Workers, too, bear a responsibility to ensure that they also place the good of the community at the forefront of their activities. The unskilled worker is just as capable of concentrating on narrow self-interest as is the business executive. Workers have a duty to work diligently and to the best of their ability, looking together with management towards the wider economic good.

It is encouraging to note how many employed workers, even though they earn very little, do whatever they can to assist those who have even less. Similarly, we commend those unions which campaign actively on behalf of the unemployed, whether or not these have been union members.

As we have said before, all of us make economic decisions every day. Clearly, the decisions made by those in powerful positions, people in government and business and trade union leaders, for example, will have much greater and more far-reaching consequences than the decisions made by those who occupy more humble positions. Nevertheless, we are all called to think deeply about the basis of our decisions and choices. Our attitudes towards our society, towards the needs of our country, and our willingness to find a balance between our legitimate personal wishes and the common good of all, must be rooted in the kinds of values which we have referred to. If we fail to adhere to these essential and abiding values, and to shape our attitudes accordingly, we will never achieve economic justice.

CONCLUSION

Describing his purpose on earth, Jesus proclaimed that he came so that we "may have life and have it to the full" (cf. John 10:10). The Church's duty – and that of every Christian – is to continue Jesus' mission. It is our task as followers of Christ to proclaim this good news, to help in bringing about the reign of God here and now in our earthly reality. Therefore, we must speak out against anything which prevents any of God's people from enjoying life to the full.

As we have seen, many features of the South African economy, and of the world economy, present obstacles to fullness of life. As such, it is not enough that we bemoan them and regret their existence – we must take action against them and build in their place an economy which provides at least the minimum conditions for fullness of life.

This has been attempted by various political and ideological systems throughout history, all of which have failed to a greater or lesser degree to deliver economic justice. The lesson is clear: people cannot be forced by law or by the imposition of a system to be good and to relate justly to each other. What is needed is a change of heart.

We can achieve this by adhering to what we have called "Christian Economic Values". We must allow these values to inform our attitudes to one another in economic matters. In turn, these attitudes will underpin our economic decisions and actions.

We said at the outset of this letter that the poor who are now with us, as well as the generations yet to come, demand that we strive for a more equitable, just and sustainable economy. Of course, this is also what God demands of us. Indeed, as the approach of the Jubilee Year 2000 reminds us, God has always required economic justice among his people (cf. Leviticus 25). As a faith community we translate God's word into a living context, discovering how it challenges us in our time and place. And we find invariably that God's word challenges us to transform our personal attitudes, as well as the systems and policies which diminish fullness of life, especially that of the poor and the disadvantaged.

In proclaiming this approach to life we challenge in turn all those who bear economic responsibility always to judge their policies and practices from the perspective of fundamental values. Working together, challenging and being challenged, we will truly be doing God's will, and be worthy of God's reward:

"Is not this the sort of fast that pleases me
– it is the Lord Yahweh who speaks –
to break unjust fetters
and undo the thongs of the yoke,
to let the oppressed go free,
and break every yoke,
to share your bread with the hungry,
and shelter the homeless poor,
to clothe the one you see to be naked
and not turn from your own kin?
Then will your light shine like the dawn
and your wound be quickly healed over."
(Isaiah 58: 6–8)

ENDNOTES

1) See, for example, *Business Report*, 13 April 1999, p2.
2) In August 1997 the South African Non-Governmental Organisation Coalition (Sangoco) reported that 53% of South Africans were living below the R301 per month poverty line (*NGO Matters* vol 2 no 9, p7). The government report *Poverty and Inequality in South Africa*, issued in May 1998, calculated the poverty line as R353 per month, and found that 19 million people, or just below 50% of the population, lived on or below this line.
3) The Gini coefficient is an economic indicator which measures inequality in income distribution. If income is perfectly equally distributed among a country's population the coefficient will be 0, while if all the income goes to one person the figure will be 1. Thus, the higher the figure, the greater the inequality in income distribution. The figure of 0.58 is given in the report *Poverty and Inequality in South Africa*.
4) 25% of pre-school children were "stunted" according to the Medical Research Council's Annual Report for 1996/7, quoted in *South Africa Survey 1997/98* South African Institute of Race Relations (1998), Johannesburg, p194. The survey puts infant mortality in 1996 at 59.1 per 1000 live births (p185).
5) According to the October 1996 national census.
6) Statistics South Africa measured overall unemployment at 34% in the October 1996 national census. This figure has probably grown since then. There is some debate about methods of defining and calculating unemployment, but even those studies that use a restrictive, rather than an expansive, approach arrive at figures in excess of 25%. (See in general, *Census in Brief* Statistics South Africa (1998) Pretoria; *South Africa Survey 1997/98* South African Institute of Race Relations.)
7) During the October 1996 national census unemployment in the Eastern Cape was 48.5% and in the Northern Province 46.0%.
8) *Business Day* 9 July 1998, p15. *Business Report* 20 January 1999. The September Commission, set up by the Congress of South African Trade Unions (Cosatu), reported in 1997 that labour productivity rose by 12.8% in the period 1992-1996, while unit labour costs declined by 6.9% over the same period. See in general *Explaining Productivity: A Brief Assessment* Church and Work Office of the Southern African Catholic Bishops' Conference (1998) Pretoria.
9) Details of the extent of the disadvantage can be found in both *Census in Brief* and *South Africa Survey 1997/98*. For example, the former shows that unemployment in October 1996 was 52.4% for African women as compared to 34.1% for African men and 5.1% for white women (p47). The latter indicates that only 4% of non-urban women earned above R52 000 per year, compared with 41% of urban men and 18% of urban women (p278).
10) Figures supplied by the Commission on Restitution of Land Rights indicate that a total of 63 455 claims for the restitution of land had been received by 31 December 1998, the cut-off date. Of the 23 414 claims lodged by 31 January 1998, only 15% involved rural land; this ratio is likely to remain substantially the same for the final figure of 63 455.
11) This and the other figures in this paragraph are drawn from the publications of Statistics South Africa and from various press reports.
12) According to a 1995 study by the Industrial Strategy Project (ISP), South African companies spent an average of 1% of their payroll on training, compared with between 4% and 7% in Organisation for Economic Cooperation and Development (OECD) countries.
13) In the form of the Skills Development Act 97 of 1998.
14) Sangoco indicates that the ratio of a managing director's salary to that of the lowest paid worker in the company is 100:1 in South Africa compared to 7:1 in Japan (*NGO Matters* vol 2 no 9, p7)
15) Pastoral Constitution on the Church in the Modern World (Gaudium et Spes) para 67.

Programme

Wednesday 17 May 2000

Opening Remarks
CHAIRPERSON: BISHOP KEVIN DOWLING, *CHAIRPERSON: SOUTHERN AFRICAN CATHOLIC BISHOPS' CONFERENCE (SACBC) JUSTICE AND PEACE DEPARTMENT*

THE CONTEXT
SESSION ONE
CHAIRPERSON: MR ASHLEY GREEN-THOMPSON, *DIRECTOR: SACBC JUSTICE AND PEACE DEPARTMENT*

Income Inequality and Unemployment in South Africa: Facts, Causes and Perspectives
Prof. Charles Simkins, *Department of Economics, University of Witwatersrand*

Development Finance as a Means of Bridging the Income Gap
Prof. Patrick Bond, *School of Public and Development Management, University of Witwatersrand*

Thursday 18 May 2000

SESSION TWO
CHAIRPERSON: MS NOMABEDU MVAMBO-DANDALA, *DEPUTY DIRECTOR: DIAKONIA COUNCIL OF CHURCHES*

Globalisation: Facts, Problems, Prospects
Mr Elroy Paulus, *Programme Manager, Fair Share, School of Governance, University of the Western Cape*

STRATEGIES FOR INTERVENTION

The Importance of a Basic Framework for a Sound – Effective and Social – Economic Order
Prof. Josef Stegmann, *Professor of Christian Social Teaching, Bethlehem Social Academy*

Recommendations from the SACBC Pastoral Statement "Economic Justice in South Africa"
Bishop Kevin Dowling, *Chairperson: SACBC Justice and Peace Department*

The Biblical Jubilee Principle and the Relevance of Debt Cancellation for Redistribution
Rev. Peter John Pearson, *Director: SACBC Parliamentary Liaison Office*

Session Three
Chairperson: Mr Elroy Paulus, *Fair Share, School of Governance, University of the Western Cape*

Skills Development as a Strategy to Reduce Inequality in South Africa
Mr Yorck Wurms, *Principal, Commercial Advancement Training Scheme*

Friday May 19

Session Four
Chairperson: Ms Nomabedu Mvambo-Dandala, *Deputy Director: Diakonia Council of Churches*

Women, Micro Job Creation and Self-Employment: The Experience of People's Dialogue
Ms Iris Namo, *Director: People's Dialogue*

The Effectiveness of Social Security Systems for Reducing Inequality
Prof. H R Hemmer, *World Economy and Social Ethics Study Group, German Catholic Bishops' Conference*

Session Five
Chairperson: Ms Maria van Driel, *Research Coordinator: Ecumenical Service for Socio-Economic Transformation*

Presentation of Rapporteurs Synthesis
Rev. Mokesh Morar, *Director: Bethlehem Social Academy*