In the Balance

Marais, Hein

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Debates about a UBI quickly circle to the issue of affordability and the default assumption that such a scheme would bankrupt countries. Yet the massive infusions of liquidity into financial markets and the charity given to corporations after the 2008 global financial crisis and again during the COVID-19 pandemic show that the limits of ‘affordable’ state spending are much more elastic than is commonly acknowledged. Often, those limits are political constructs. Moreover, as shown in the previous chapter, there are numerous feasible ways to finance a UBI.

The question of affordability, it seems, should be reshaped: is a UBI seen to be important and desirable enough to be made affordable? Are there strong enough social and political forces to drive those processes? And does the context favour such an undertaking? These are eminently
political questions. Thandika Mkandawire’s observation about social policy decision-making applies also to a UBI:

No amount of evidence of the instrumental efficacy or of the intrinsic value of particular social policies will lead to their adoption if they are not deemed politically feasible.¹

**TIPPING THE SCALES**

The mainstreaming of the UBI debate reflects growing unease about the failure of current economic and social policy models to shield societies against crisis. That trepidation was visible in the haste with which many states provided social support alongside the customary corporate welfare during the first year of the COVID-19 pandemic. Those kinds of social interventions had been uniformly absent in the aftermath of the 2008 global financial crisis. But the support offered this time around did not signal a change in direction: it was a pragmatic reaction to increased social distress and disaffection. Indeed, in these kinds of circumstances, a small targeted basic income that temporarily replaces at least some existing welfare entitlements – in effect disguising further rounds of social austerity – might well appeal to both the capitalist class and state managers. Such an outcome must be avoided in favour of a sizeable *universal* basic income that supplements other essential social provisioning. Achieving *that* will require overcoming formidable organised opposition.

**The context**

It is important to view the UBI debate in historical context. Daniel Zamora and Peter Sloman see the basic income demand following cyclical patterns over the past century and attracting support in periods of crisis, particularly when social gains attached to the world of work seem unlikely.²
During the golden age of social welfare expansion in high-income countries (from the 1930s to the late 1960s), programmes providing subsidised or free healthcare, education, housing and transport flourished alongside a push for full employment. Basic income demands surfaced, but usually as a secondary and limited facet of those larger, state-driven forms of social provisioning.3

A different outlook became dominant during the subsequent rise of neoliberal capitalism (see Chapter 1). Economic and social policies were remodelled to serve, above all else, the needs of capital. The distribution of goods and services to citizens was entrusted increasingly to the price system or market, with the state retreating into a facilitating role. The compromises that enabled the social welfare model to arise from the 1930s onward were erased, as the capitalist class sought to maximise opportunities for profit-taking and consolidate control over ever-larger portions of those profits. This occurred chiefly through corporate tax cuts and subsidies, the relaxation or removal of regulations, and attacks on workers’ organisations (enabling real wages to be suppressed and job benefits and security to be rescinded).

Some critics on the Left argue that a basic income would entrench such a model.4 In their view, the intervention would allow for some rationed redistribution towards the poorer sections of society, but this would be done in ways that make people more reliant on the market – for example, cutting back on the remnants of state-managed provisioning and replacing it with cash payments. But equating a UBI demand so neatly with neoliberal interests underestimates the instability of the current period.

Unlike twenty or thirty years ago, capitalist societies are today visibly beset with multiple crises that span the economic, ecological, social and political domains of life. The precarity and deep disquiet caused by the 2008 global financial crisis and the ongoing calamity of COVID-19 has aggravated this instability. Neoliberal capitalism has not been upended, but its ideological authority has faded. The intersecting crises of the current period require fresh innovations or new compromises.
In the 1930s and 1940s, the balance of forces in industrialised countries favoured compromises that led to the social welfare experiments that defined the post-World War II era. Currently, however, social formations (such as worker organisations) and allied political organisations seem less capable of forcing compromises that prioritise egalitarian goals. At the same time, faced with listless profit rates and operating under increasingly volatile conditions, neoliberal capitalism lacks a coherent route forward. Lavished with stimulus packages, bailouts and cheap credit, but bogged down in contradictions, it plods on in pursuit of growth and profit. It is as if the current phase of capitalism, assailed by crisis, has entered a kind of purgatory – unable to revisit its heydays but incapable of creating the conditions for a viable, forward-looking exit from this impasse.

Although the UBI demand has gained traction in this context of flux and foreboding, the current prospect of broad social gains seems dim, as UBI critics like Daniel Zamora and Anton Jäger have correctly noted. In their view, the demand is a deficient and distracting stand-in for wider progressive restructuring. But this presumes that other routes for advance beckon and that the push for a progressive UBI is a mere tactical misjudgement fed by naive optimism. In reality, popular social and political forces are too weak currently to drive a profound restructuring of the economic and social order. The UBI demand draws its appeal at least partly from that fact. The search for a way forward continues; rather than being a digression, the struggle to define and achieve a generous and lasting UBI can contribute to that task. At stake in that struggle – and the countervailing push against it – is much more than the design of a social policy tool.

**High stakes**

Financing a UBI that is more than tokenistic and short-lived will require substantial changes in fiscal policy (most obviously in taxation) and in broader macroeconomic policy. Even a tax-neutral financing model that reallocates existing tax revenues and reduces wastage will require a profound shift in the politics of fiscal decision-making – in other words,
which sets of interests are privileged. A sufficiently large UBI will require even more intrusive changes, in the shape of elevated – and new – taxes for companies and wealthy individuals.

A UBI therefore implies a struggle over access to fiscal bounty and, by implication, the surplus generated through economic activities, the bulk of which is appropriated by capitalists. Their sway over the distribution of that surplus across society is threatened when large expansions of social provisioning occur. For the past forty years, those arrangements were systematically overhauled to favour capital (in the shape of tax cuts and loopholes, state subsidies, corporate bailouts, deregulation, social austerity and more). Relaxing control over that surplus is no small matter in an era of sputtering growth and squeezed profit rates, when reliable and untrammelled access to large infusions of capital at low cost has become indispensable to the capitalist class. Sustained increases in social spending threaten that access.

Expanded state provisioning in the shape of unconditional income support offends capitalist interests in other respects, as well. It potentially democratises the state by setting up a direct relationship between citizens and the state around material security, a relationship that exposes the state to politically charged popular demands. Such a democratising effect is to be celebrated. But, insofar as a UBI involves distributing a larger share of the surplus to citizens, expands the role of the state as a source of basic means and exposes it to popular pressure, it clashes with capitalist interests. Yet it is also obvious, in the midst of growing precarity and instability, that new forms of social support are needed – as is evidenced when even a former Goldman Sachs chief publicly speaks out in support of a basic income in South Africa, for example. Instead of dogmatic opposition to the very idea of such an intervention, the battle lines are shifting toward defining the purpose, content, design and scale of a basic income.

As the evident need for additional income support grows, opponents are digging in mainly along two fronts. The one line of defence still stigmatises social support as a handout and insists that waged work
is a viable and sufficient basis for social citizenship and inclusion. This view does not rule out a basic income as such, but it stops far short of a universal basic income. Here, the preferred format is a small, temporary payment that functions alongside overhauled job creation efforts (including public works schemes, skilling and retraining). The primary goal remains job-creating economic growth. The other core line of defence continues to be the matter of cost and affordability. Relying on the contention that a universal basic income is fiscally unrealistic and unsustainable, this position, too, is becoming flexible enough to allow for a minimal, ‘emergency’ basic income.

BUILDING POLITICAL SUPPORT

The World Bank and UBI sceptics such as Robert Greenstein have argued that achieving a UBI will require support that cuts across partisan lines. Such broad-based support will entail compromises that shift the scheme in more conservative and potentially regressive directions, including perhaps turning it into a stalking horse to replace other forms of social provisioning. In settings with patchy forms of social welfare, as is the case in many developing countries, concern about dismantling existing social assistance seems less relevant than in developed countries with established, often complicated welfare systems. Yet even there, other forms of pro-poor support (such as education, health, fuel, food and transport subsidies) may be vulnerable if fiscal policy is tightened.

There is a possibility that, once in place, a UBI will become politically too costly to abandon, yet fiscally too expensive to sustain. In the absence of powerful progressive forces, states could react by cutting other social entitlements. This is a real risk. And it highlights the political dimensions of a UBI demand: which sets of interests are powerful enough to decide on the design, financing and implementation of a UBI, and to defend those arrangements.
Some lessons from South Africa

South Africa’s massive inequalities arise from successive development strategies that have served the priorities of capital in fundamental ways but at calamitous social cost. Both the state and the capitalist class remain committed to the belief that market-friendly economic policies will generate new jobs and thereby reduce poverty to manageable levels. Historical experience in South Africa offers no grounds for this faith. The structure of the economy and the terms of its insertion into the global economy militate against a strategy that relies centrally on job-creating economic growth to solve the social crisis. Yet political forces on the Left and allied social movements (chiefly trade union organisations) have been unable to divert the post-apartheid state from these policy paths onto a social-democratic route. Two institutions, the National Treasury and the Reserve Bank, play decisive roles in resisting and diluting redistributive economic and social policies that threaten to compromise the interests of corporate capital.

Circumstances occasionally disturb this status quo. In the early 2000s, for example, the government resisted demands for a national basic income (see Chapter 4), only to relent to a steady expansion of the social grant system. In the same period, the National Treasury had resisted a free, national treatment programme for people living with HIV. That opposition buckled under pressure from a powerful social movement and was overridden politically. Both ‘retreats’ reflected political calculations that were made in the context of strong domestic pressure and obliging international sentiments.

Concerned about the destabilising impact of neoliberal economic adjustments, the World Bank in the 1990s began to broadcast the advantages of social ‘safety nets’ in developing countries. By the 2000s, it and the United Kingdom’s Department for International Development were enthusiastically promoting conditional cash transfer schemes. The 2008 global financial crisis further concentrated minds around the need for mitigating interventions. Soon even the International
Monetary Fund was signalling support for expanded social protection as part of ‘inclusive development’, a prominent theme also in the United Nations Sustainable Development Agenda 2030. Some observers saw the expansion of social protection programmes as evidence of a shift away from neoliberal orthodoxy, led by ‘emergent’ powers in the South (Brazil, India and South Africa were often cited as examples). In reality, the enthusiasm for and design of cash transfer programmes – particularly in Africa – appears to be driven primarily by northern donors and multilateral organisations (notably the World Bank, United Nations funds and programmes, and the United States Agency for International Development). It was in that endorsing context that the South African government decided to expand the social grant system in the 2000s, despite the fiscal implications.

The government’s decision in 2004 to fund a free, national HIV treatment programme also ran against the grain of fiscal austerity. It, too, was in step with evolving international policy guidance and sentiment. A big difference, though, was the added impetus of a strong, sophisticated activist movement. While the international context favoured effective activism around the AIDS epidemic, the victory in South Africa was mainly the doing of the most powerful social movement of the post-apartheid era, the Treatment Action Campaign. The Campaign combined charismatic leadership, dramatic social protest, legal challenges and extensive transnational networking to legitimise progressive demands that centred on the rights of people living with HIV to receive free, life-saving treatment. South Africa today has the largest HIV treatment programme in the world, the bulk of it funded domestically (a rarity among low- and middle-income countries). Healthcare (and specifically the response to AIDS) became the only arena in which major policy choices of the South African state – and, even more impressively, the National Treasury’s authority – have been successfully challenged since 1994.

The Treatment Action Campaign’s success is shadowed, though, by a reminder that victory in one domain and in one set of conditions is not easily repeated in others. The campaign has struggled subsequently
(to very modest effect) to refashion itself into a broader social justice movement, despite the validity of its demands. It may be that the ambient factors that enabled its success around HIV have been absent subsequently. Or it may be that the current demands are not as amenable to ‘clear-cut’ solutions as the demand for HIV treatment may have been.

Might it be more feasible to mobilise a politically influential force around a UBI demand? To date there is no example from a developing country to support such expectation. The BIG campaign in South Africa in the early 2000s gained traction in policy circles and the institutions of some social movements (trade unions, for example), but it was not driven by a groundswell of popular support. This holds lessons for UBI campaigns and for how they frame and position their demands.

**MOBILISING POPULAR SUPPORT**

Whereas the demand for free HIV treatment carried indisputable moral force, a UBI can be a jarring, disorientating concept. Referring to survey data from Cape Town, Jeremy Seekings and Heidi Matisson, for example, claimed that ‘not even poor voters are unambiguously supportive of a BIG … public opinion clearly favours the extension of social assistance, but not unconditionally’.

Misgivings among the public about non-wage forms of income support may be fading, though, especially during the aggravated hardship of the COVID-19 pandemic. In the COVID-19 Democracy Survey (conducted by the Human Sciences Research Council and the University of Johannesburg in 2020), 62% of respondents favoured the introduction of a basic income during the pandemic crisis. Support was highest among lower-income respondents. This was in line with findings from an earlier survey, in which 63% of respondents supported a basic income. Those kinds of sentiments have fuelled organised mobilisation, with dozens of activist and other civil society organisations uniting around a demand to increase and then convert the COVID-19 grant into a basic income guarantee (see Chapter 5).
Earlier research unearthed more ambivalent attitudes towards state-sponsored income support. An Afrobarometer survey done in 2018 found that most South Africans (76%) wished to see the state supporting low-income households through cash transfers, and two-thirds (67%) believed the state had a duty to support poor households. But more than half of respondents (53%) also said that able-bodied adults should work for their social grants. A similar proportion of respondents (59%) agreed with the claim that recipients ‘become lazy when they rely on’ social grants.\textsuperscript{25} There is no empirical evidence that grant recipients are work-shy,\textsuperscript{26} but the fact that this notion endures is a reminder of the extent to which non-wage income for the poor remains stigmatised. Even people with no prospect of full-time work cling to the stubborn creed that one has to work a waged or salaried job in order to earn a rightful place in society. Steven Friedman sees in this attitude a perverse echo from the apartheid era when, indeed, every white adult who wanted a job was guaranteed one.\textsuperscript{27} That assurance, of course, did not apply to the rest of society. But it reinforced the idea that waged work is the only ‘real’, productive form of work, dismissing the value and productivity of domestic and other care work, or subsistence agriculture, or barter work.

That notion continues to shape policymaking. As hardship induced by the COVID-19 pandemic increased, a coalition of activist and non-governmental organisations, trade unions and research entities called on the government to transform the temporary social relief of distress grant into a permanent payment. The finance ministry balked. ‘The weakness I see in the debate is there is more focus on how you support the unemployed [and] little attention to the long-term issue of growth,’ said newly appointed finance minister, Enoch Godongwana, in August 2021, as the official unemployment rate passed the 34% mark. Young people should not be ‘placed into a cycle of dependence’, he told journalists, adding that ‘what we need to do is invest in skillling’ young people.\textsuperscript{28} The preference was for some combination of skills training, public works employment and rationed income support, while again trying to reboot economic growth. The income support would likely
be in the form of a ‘jobseeker grant’ that would support young people to enter the labour market\textsuperscript{29} – essentially a variant of workfare. While support for a UBI is growing, substantial proportions of ‘ordinary’ South Africans still lean towards Godongwana’s thinking.

If a UBI demand is to succeed, it has to reshape the assumptions and ‘common sense’ we draw on when considering the claims and obligations that link us to one another, the state and the economy.\textsuperscript{30} A UBI is laden with challenging propositions about the responsibilities and entitlements that connect people in society. It calls into question commonplace understandings of waged work, its authority in our social order, and the hierarchies of worth and value we attach to different kinds of work. The UBI demand will need to be framed in ways that make all this unexceptional, part of a new kind of ‘common sense’. The struggle to achieve a UBI should

open conversations about what counts as work, about the value of different kinds of work, and also about what else besides work we might want to do with our time, what other models of care, creativity and cooperation we might want to build.\textsuperscript{31}

So, a UBI campaign also has to become a process, a vehicle for critique and revelation – not least about the injustice of using paid work as the principal basis for allocating and distributing income and wealth in society. This makes a UBI demand important also for building a broad-based movement that is capable of advancing social justice in the context of deepening crises. A UBI is not a cure-all. But it can function as a substantive and empowering component of a push towards egalitarian outcomes.

**Framing the UBI demand**

In a society like South Africa, the UBI demand evidently speaks to common need. But equally important is the normative basis for the demand. Is it an appeal for the state to ‘grant’ assistance in extreme circumstances? Or is it a demand rooted in the state’s duty to ‘guarantee all members of
society the means of existence’, in Maximilien Robespierre’s words? Or is it a claim arising from rights inscribed in a constitution? Or a claim for just dues, for a share of common wealth, which in capitalist society is privately appropriated?

A radical perspective would frame a UBI as a dividend of the collectively produced wealth in society, recognising that the entirety of society is entitled to a rightful share of the total social product (see Chapter 5). A UBI then becomes an income that is paid to people as members of a society that collectively produces wealth – a proposition that is in tune with powerful political traditions in South Africa. For Yanis Varoufakis, this framing steers the debate beyond the deserving/undeserving binary: ‘Society stakes a claim to aggregate capital and that claim becomes a dividend, an income stream that goes to everyone.’ Instead of being an entreaty, an appeal to power, a UBI then constitutes a claim on the surplus generated in capitalist society. ‘If payments can be conceived as rightful shares,’ James Ferguson has noted, ‘then there’s no expectation of a return, no debt and no shame. No one is giving anyone anything. One is simply receiving one’s own share of one’s own property.’ A UBI then dismisses the fiction that personal responsibility decides social outcomes and it pushes the principle of social justice to the fore. Its starting point is an acknowledgement that factors beyond individual control decide the distribution of resources and capabilities – and that those means have to be distributed fairly.

Thinking of a UBI as a dividend also emphasises the collective character of a UBI, rather than seeing it merely as a multitude of separate payments to individuals. Picturing a UBI as a ‘citizens’ dividend’ seems especially appealing in a country where the economy has been built on systemic expropriation and exploitation spanning the colonial and apartheid eras, and continuing subsequently. Reinforcing that appeal is the fact that the bulk of the environmental costs of South Africa’s development path has also been imposed on poor communities. Their environments and their health were degraded, while they benefited the least from developmental ‘progress’. Similarly, a UBI can be seen in part as a form of ‘just dues’ or remuneration for unpaid work performed by women.
Demanding a UBI as a dividend, or a form of ‘just dues’, profoundly changes its implications. Tax systems and fiscal policies are instances of a wider struggle to decide how to organise and distribute the collective surplus that is generated through economic activity. When presented as a dividend, a UBI becomes a demand to democratise that surplus – and that poses a political challenge to the capitalist class. Once a UBI shifts from being a ‘grant’ or a ‘concession’ handed out by the state, to being a dividend to which people are entitled, it implies a different relationship between the citizenry and the state. A UBI then involves a sustained act of demand-making, rather than concession-seeking. That harbours the potential to alter the power dynamics between citizens and the state – and, given the fiscal implications of a UBI, also between the state and capital. A UBI can then function as a wedge that helps to disrupt the hierarchy of claims among capital, the citizenry and the state.

If we understand neoliberalism as a fundamentally political project to radically reorganise the distribution of resources in favour of the capitalist class, then a substantive UBI implies a challenge to that arrangement. A generous UBI will not dislodge neoliberal capitalism, but it would be in harmony with broader efforts to do so.³⁹

Framing a UBI as a dividend also highlights the dimension of justice and links to the socioeconomic rights enshrined in the Constitution of the Republic of South Africa which assigns to the South African state a constitutional obligation to progressively realise the right to social security and social assistance for all.⁴⁰ Section 27 of the Constitution stipulates that everyone has the right to social security, including appropriate social assistance for those who are unable to support themselves and their dependents. It also states that ‘everyone has the right to have access to sufficient food’ and that every child has the right to basic nutrition, basic healthcare services and social services. The state is obligated to take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of these rights.

Measures introduced to date do not fulfil those obligations, which are also underpinned by international law. When South Africa’s progress
towards fulfilment of its obligations within the International Covenant on
Economic, Social and Cultural Rights was reviewed in 2018, it was found
wanting. The South African Human Rights Commission concluded
that the country ‘has failed to discharge its international and national
obligations regarding the provision of social assistance to those most in
need’. The limited scope of social security protection was among the
weaknesses highlighted, along with the inadequate value of social grant
payments and the fact that large numbers of people living in poverty were
excluded from the current grant system. It was against that background
that the Human Rights Commission requested the National Treasury and
the Department of Social Development to examine the viability of a basic
income and to prepare a roadmap for a pilot study.

WHAT KIND OF STATE WILL IT TAKE?

Ultimately, the design, size and financing of a UBI are highly charged
questions that will be decided by the prevailing balance of power in
society. Whether a UBI amounts to mere temporary relief – ‘buying
time’ – or contributes to more substantive transformation will depend
on the organised strength of popular movements, the state’s exposure
or responsiveness to citizens’ demands, and the capacity of the capitalist
class to ensure that state policies serve its core priorities.

The technical tasks of implementing an inclusive UBI – compiling and
maintaining a register of, say, all citizens and legal residents aged 18–59
years and paying those individuals an income every month – lie within
the capacity of the South African state. Though somewhat tarnished
by scandal, the existing social grant system suggests that the technical
expertise and infrastructure for such an undertaking is either available
or can be introduced.

It is less clear that the South African state currently is capable of intro-
ducing and managing the kinds of macroeconomic policy changes and
institutional arrangements that will be needed for a UBI to function as
part of a broad strategy of transformation. Doing so will require an active
state which, rather than mainly facilitating capital accumulation and mitigating the social costs, steers society along a much more egalitarian path. The ambition, commitment and capacities required for such a feat are often associated with ‘developmental states’. In the post-apartheid era, the South African government has regularly claimed to be building such a state, though that claim has been convincingly disputed.44

In broad outline, the developmental state refers to a model of economic growth and social redistribution in which the state acts formatively to promote growth, determine the broad pattern of that growth and ensure social development. In Chalmers Johnson’s account of the ‘Japanese miracle’ after World War II, the state stewarded economic development, leading long-term macroeconomic planning and industrial development, and channelling investment flows towards targeted sectors and regions, as well as subsidising labour costs.45 Several other variants of the developmental state have been studied and described.46 These states typically shared certain attributes, including dense ties between political and business elites, the ability to leverage sources of finance, and a robust state bureaucracy that was sufficiently insulated against the narrow, partisan interests of powerful economic and social forces and capable of functioning reliably, predictably and efficiently. ‘Embedded autonomy’ was seen as a particularly important attribute.47 Partially embedded with key social classes, the developmental state acquired the mix of autonomy and connectedness it needed to foster alliances or accommodations that allowed it to deploy its resources in the service of ostensibly inclusive national interests and strategic development goals.48

The creation of a developmental state has been a consistent, stated ambition of the ANC government in South Africa.49 While the government legitimately claims credit for expanding the social wage and introducing a wider (though thin) social protection system, it has left intact many of the underlying conditions and relations of power that reproduce inequality and generate impoverishment. Its economic policy choices have failed to mobilise productive investments and make inroads into one of the highest unemployment rates in the world.
Those choices have serviced the prerogatives of South African conglomerates, whose operations are now threaded into global networks of accumulation. The choices have also facilitated the emergence of a powerful financial sector, and have badly undercut the state’s leverage with domestic capital. South Africa seems no different from the many other countries where deeply established reliance on local private economic elites, the growing centrality of transnational capital to local accumulation and the proliferation of alliances between local and transnational capital have transformed the political landscape.50

It is moot whether the current South African state is capable of emulating the developmental state experiences of the past. On current evidence it is even less clear that the South African state is capable of steering and managing a redistributive, democratic and ecologically sustainable development path. There is considerable evidence of dysfunction and widespread corruption at all levels of the state.51 Great damage has been done to state institutions during the past 10 to 15 years, with even the revenue service and state statistical agency not escaping the harm. Large sections of the South African public service underperform, with the parlous state of the public health and education systems undercutting any developmentalist credentials.52 But those institutions are reparable. In addition, key institutions and public assets remain, for now, under the (nominal) control of the state. They include the Industrial Development Corporation, the South African Development Bank, a great deal of the rail and harbour system and infrastructure, a large portfolio of TV and radio stations, and the sole electricity supplier, Eskom, mismanaged and indebted though it is. Though damaged, the revenue service remains relatively well-run, and a sophisticated and independent judicial system exists. Civil society organisations are numerous and diverse, and are capable of imposing a degree of accountability on the state.
It is also highly doubtful that the archetypal developmental states of the twentieth century are suitable blueprints for stewarding ecologically sustainable and viable societal progress in the twenty-first century.

Many of the geopolitical and political-economic factors that underpinned the developmental state successes of the twentieth century no longer seem available. The emphasis on economic growth and the focus on industrial manufacturing as the wellspring of job creation and social development seem anachronistic. A manifest need remains for a state that is capable of acting in the national interest and that commands institutions that function professionally, predictably and reliably. But, as Peter Evans has emphasised, it also requires much greater focus on building and nurturing human capabilities, for example through ensuring reliable access to quality education, healthcare and livelihood support. This perspective rearranges the building blocks of ‘development’ and the relationships between them. It differs from an approach that conflates development with economic output, and in which human and social development are treated as functions of economic growth, driven by industrial production. Instead, it reframes development as the equitable enhancement of human and social capabilities, with economic and social policies serving those objectives. For Evans, ‘policies that expand capabilities may look like “social policy” or “welfare policy” but they are essential to growth policy’. If development is understood as the expansion of capabilities, the state becomes even more important than in earlier conceptions of developmental states. The capabilities emphasised by Evans and Patrick Heller are not only relevant insofar as they serve enterprise-based output, nor are they important strictly ‘in their own right’. They are a means also for a decentred recuperation and flourishing of social and economic life at community level. The necessary capabilities are tied up with access to quality education and healthcare, transport, and telecommunications and information technologies. Similarly, if a UBI is to be more than a poverty-reducing tool – if it is to function as a liberating and transformative factor in people’s lives – it has to operate in a context where
capability-enhancing services and support are available. This requires an active, provisioning state that is capable of dependably providing the support, services and infrastructure that people need to build fulfilling lives. Providing those services in reliable and equitable ways requires complex state capacity and new kinds of ‘embeddedness’.\textsuperscript{57}

In earlier conceptions of the developmental state, this ‘embeddedness’ involved ties between various state apparatuses and particular elite formations (especially those involved in industrial activities). To meet contemporary challenges, however, state apparatuses have to command enough autonomy to proactively design and implement policies that serve collective needs and goals rather than reflexively align with the prerogatives of corporate capital. That flexible autonomy requires deepened democracy, especially at local levels, with citizens able to participate in meaningful processes of decision-making and accountability. This democratising aspect is important in other respects, too. Successful capability-building both requires and leads to the enhancement of freedom – and that tends to generate friction and resistance from elites, especially the political, religious and traditional elites who police social relations and norms, not least at local levels. Overcoming those kinds of obstacles requires ‘interactive ties that connect the apparatus of the state administratively and politically to civil society’.\textsuperscript{58}

It is also in such democratised and enabling contexts that a UBI is most likely to fulfil its potential to facilitate and underwrite the kinds of ‘organic’, local, social and economic activities that are essential amid upheaval and turmoil. This implies overhauling the state to some degree – in terms of its overall administrative capacity, its probity, the ways in which it relates to civil society and its relationship with capital.

**WHAT KIND OF MACROECONOMIC STRATEGY IS NEEDED?**

Economic policy in South Africa has failed to shape an economy that creates enough decent jobs, supports livelihoods and builds the capabilities of people and their communities. The manufacturing sector
remains poorly diversified and weak, and there has been scant progress towards expanding labour-absorbing activities outside the service and construction sectors. The financial sector, which has grown to inordinate proportions, is neither geared for nor inclined towards a developmental role. The upshot is an economy

characterised by low growth, rising unemployment and increasing inequality, which together with rampant corruption and governance failures combine to threaten the very core of the country’s stability and democracy.59

Still, vast wealth is generated, most of it siphoned towards a small minority. This entrenched state of affairs is morally untenable, and socially and politically unsustainable. The same can be said of the environmentally destructive ways in which the wealth is generated and consumed.

Drastic restructuring is needed. In addition to servicing the material needs of all, economic policies have to steer and enable decisive moves away from extractive, fossil fuel-based activities to ‘green’ and labour-intensive, value-adding activities. A ‘green’ industrial strategy that greatly reduces the ecological impact of economic activity and that prioritises the needs of ordinary people over the interests of conglomerate and financial capital is crucial. Increased and targeted public investment will be essential, particularly to transition rapidly from a hydrocarbon-based economic model and to introduce and support social and productive infrastructure in deprived communities.60 A UBI would slot into such an overhaul. A supportive macroeconomic framework is essential to enable the necessary investments. Without such a framework ‘other economic and social policy interventions for addressing growth, employment and inequality will likely fail to gain much traction for budgetary and related reasons.’61

Current macroeconomic policy in South Africa stands in the way of such drastic change. Neoliberal in orientation, it proceeds along a route that was initially plotted in the 1980s amid anti-apartheid uprisings and associated economic difficulties. In the mid-1990s, the restructuring
efforts were resumed with greater resolve, overseen by the country’s new democratic government. Marketed as a pathway towards economic stability and growth, the 1996 GEAR plan prioritised tight monetary policy (including high interest rates and inflation targeting) and fiscal restraint, along with the dismantling of tariff barriers and capital controls, while counselling increased privatisation.\textsuperscript{62}

The GEAR plan enabled South Africa’s largest corporations to restructure and overhaul their operations, and to re-engage with a rapidly financialising global capitalist economy. It facilitated profit-seeking strategies that would rely increasingly on rent-seeking and speculative ventures,\textsuperscript{63} outward investment, offshoring and capital flight, while depriving the economy of private and, via tax revenue, public investment in productive sectors.\textsuperscript{64}

**The current ground rules**

The ground rules embedded in the GEAR plan have proved very difficult to dislodge.\textsuperscript{65} The country’s macroeconomic policy continues to hinge on restrictive counter-cyclical fiscal policy (though it allows for some spending on economic infrastructure and for stimulating economic demand), monetary policy that focuses on inflation targeting, and the promotion of an open capital account.\textsuperscript{66}

As in other middle-income countries like Argentina and Brazil, the deregulation of financial markets in South Africa (particularly the liberalisation of the capital account) fuelled destabilising processes of domestic financialisation. This is evident in the disproportionately large and powerful financial sector (see Chapter 2). Intensified financial integration is reflected also in the increased volume of capital flows in and out of the country, and in the international trading of South African assets. By 2015, South African assets held by non-residents amounted to 137% of GDP, compared with less than 40% in the late 1990s. Portfolio investments comprised the largest (and growing) share of those foreign liabilities – more than 40% in 2015.\textsuperscript{67}
Financialisation tends to generate a structural pull away from productive investments and toward rent-seeking and speculative ventures that promise attractive short-term returns. In South Africa’s case, it has been marked by the massive misallocation of capital, shifting the allotment of ‘capital, infrastructure and skills towards speculation, consumption and unproductive services [which] led to deindustrialisation.’ The manufacturing sector, especially labour-intensive firms, has atrophied, rather than growing and diversifying. South Africa’s non-financial corporations earn increasingly large shares of corporate revenues from financial activities that do not directly link to their core operations. Flow of funds data from the South African Reserve Bank show that forays into financial markets, and other financial investments, now outstrip these corporations’ fixed investments.

Allied with a deformed industrial structure and an ongoing reliance on extractive industry exports, these processes deepen financial risk and instability. They also stoke balance of payments hazards. South Africa uses monetary policy to manage its balance of payments, including by keeping interest rates high enough and exit routes flexible enough to consistently attract portfolio capital investments. The main beneficiaries are local and international finance capital. Macroeconomic policy privileges ‘the interests of international investors and (internationalised) domestic finance capital, chiefly by ensuring market liquidity and guaranteeing immediate rand–dollar convertibility and preserving ease of exit.’

**Bowing to the market**

A major effect of four decades of neoliberalism globally has been the weakening of the national sovereignty that is needed for discretionary macroeconomic policy. This is especially apparent in economies, such as South Africa, that are both reliant on and exposed to the caprice of finance capital. By exposing the economy to transnational financial market reactions, the heavy reliance on short-term capital flows functions as a powerful ‘disciplinary’ device in relation to economic policymaking.
The effect on the real, productive economy in South Africa is disheartening. As Gilad Isaacs and Annina Kaltenbrunner have shown, since the early 2000s shifts in capital flows in and out of South Africa have been largely disconnected from economic conditions, with the changes prompted mainly by international monetary and liquidity factors. No matter the catastrophic social outcomes, policymakers’ fear of unforgiving reactions from the markets functions as a powerful deterrent against necessary policy corrections. Consequently, the central macroeconomic policy choices have endured. But attributing such ‘path dependence’ strictly to external factors seems incomplete; macroeconomic policy is also closely aligned with the interests of finance capital in South Africa.

The continuing adherence to the macroeconomic policy choices of the 1990s can be traced to several overlapping factors. These include the ideological acceptance of key precepts of neoliberal economics among top policymakers in the Treasury and the Reserve Bank; the growing size and influence of (nominally) domestic finance capital and its entanglement with global financial circuitries, which heightens the exposure of the economy to the ‘discipline’ of financial markets; and policymakers’ keen awareness of the economy’s vulnerability to capital flow volatility (especially for financing the balance of payments and sustaining public spending).

Additional factors are also at work. Macroeconomic policy – in particular the focus on attracting portfolio capital inflows – also facilitated the emergence of a black economic elite, which is submerged in alliance with incumbent capitalist elites, both in South Africa and abroad. Bill Freund likened this new elite to Peter Evans’ concept of ‘an embedded elite, which transcends the private-public divide’ and whose political-economic location enables it to pursue both personal financial enrichment and advance larger political projects. In Freund’s view:

For the political leadership of the ANC, relying on and integrating with such an elite is very preferable to the distanced if inevitable relationship the ANC enjoys with the previously existing white business elite.
This has created a powerful political lobby inside and around the ANC against radical economic change. A ‘convergence of interests’ between these incumbent and emergent economic elites has been achieved.79 In addition, the governing ANC has become increasingly intertwined with those economic networks – through the business operations and ties of individual party luminaries and via its business wing, the Progressive Business Forum, which connects business operations with the ANC in government.80

Thus, the macroeconomic framework chosen in the 1990s, and its underlying assumptions, remain bolted in place. This speaks also to the balance of forces within the South African state. For almost a quarter of a century, the Treasury, along with the Reserve Bank, have successfully resisted macroeconomic and other policy shifts that are needed for a redistributive development path. While the Trade and Industry and Economic Development departments intermittently have tried to promote an industrial strategy that has longer-term planning horizons, the Treasury and the Reserve Bank have insisted on policies that guarantee short-term access to liquidity, a stance that favours both economic and political elites.81 These powerful state institutions have stayed firmly committed to a path of tight money, balanced budgets, low inflation and capital mobility, and they remain reflexively opposed to social expenditure decisions that require relaxing fiscal policies.82

A macroeconomic framework that serves society

The current macroeconomic framework is incompatible with a viable exit route from the social and ecological crises that grip South Africa. It has also failed demonstrably to achieve its own advertised objectives: stimulate sufficient job creation, redistribution and economic growth. A progressive macroeconomic framework is urgently needed. It will have to underpin and facilitate industrial, labour and social policies that service the enhancement of capabilities, an ecologically sustainable development path and a much more equitable distribution of incomes and wealth.
Public investments have to be channelled away from hydrocarbon- and capital-intensive ventures and towards sustainable, livelihood-supporting and employment-generating activities, including at community levels and scales. South Africa has mature development finance institutions that are capable of supporting such shifts. But the changes pose, in addition, a significant political challenge for the state, which will have to shift from its current facilitating role in relation to capital and adopt a more directive role as ‘a driver of growth, effective demand, employment and equality’.

A macroeconomic framework along such lines was, in fact, on the table in the early 1990s, having been proposed by the ANC-convened Macro-Economic Research Group (MERG). The MERG proposed a two-phase, ‘crowding-in’ approach for economic recovery and inclusive development. The MERG proposals were dismissed by the ANC leadership after cursory review. But its overall approach and several of its proposals remain highly relevant.

In summary, the MERG envisaged a phased recovery, with an initial stage of strong public investment in social and physical infrastructure (prioritising housing, education, health and physical infrastructure). This would draw in greater volumes of private capital as economic growth accelerated – a ‘crowding-in’ effect. An active fiscal policy was proposed, along with financial regulation (to temper potentially destabilising capital in- and outflows) and trade protection (through a tariff structure that could nurture domestic industrial development). Rather than ritually enforcing macroeconomic targets throughout the cycle, the MERG favoured assessing, maintaining or restoring macroeconomic balances across set periods (a ten-year reconstruction cycle, for example) and against key social and economic indicators. Many of those policy elements remain apposite.

Fiscal policy can be a powerful lever for economic and social change, which the state can deploy ‘to shift the allocation of resources towards specific sectoral priorities’. It can be used to reduce poverty, distribute income, wealth and power, and improve the welfare of the majority.
An activist fiscal policy is badly needed in South Africa to align (public) investment with societal priorities; it is also a prerequisite for interventions such as a UBI.

However, in South Africa, as in other economies that opted for neo-liberal policies, fiscal policy has been relegated to a minor, conservative role, with fiscal discipline an overriding norm and anxiety about public debt a key motivation. The preference is to use monetary and financial policies ‘for the manipulation of interest rates, bank reserves and capital flows to stabilise inflation, business expectations and asset prices’. This approach typified the Washington Consensus, which was popularised in World Bank policy advice in the early 1990s. It continued to shape macroeconomic policy in South Africa and elsewhere, long after the Consensus had been sidelined in Washington.

The preference in South Africa is still to cede monetary policy to the Reserve Bank, insist on tight-fisted fiscal policy and stoke alarm about the public debt. That approach is becoming outmoded, however. The ‘new view’ of fiscal policy recognises the effectiveness of discretionary fiscal stimulus, its usefulness for ‘crowding in’ private investment, and its potential to pay for itself by stimulating economic growth. This perspective is hardly heterodox. There is strong evidence, including from the International Monetary Fund and the US Congress, that the customary reflex of fiscal ‘consolidation’ tends to depress economic growth. International Monetary Fund research shows that a sustained increase in government investment equal to 1% of GDP fuels economic growth through boosted investment and consumption, and widens future fiscal space through increased government revenue and by reducing the debt-to-GDP ratio.

Declining tax revenues and rising state expenditures (particularly social grant payments, public sector wages and debt service obligations) are commonly used to justify calls for fiscal restraint. The alternative, it is claimed, is to risk plunging off a ‘fiscal cliff’. While concerns about reckless spending are merited, South Africa’s social grants payments cannot reasonably be seen as profligate. Nor does it seem fair-minded
to single out the public service wage bill as culprit, without also taking account of the distribution of wage and salary expenses in the public sector – an approach that would reveal the extravagant salaries and perks paid to the upper tiers of the civil service, as Vishnu Padayachee has pointed out.98

Moral panics about rising public debt are a standard theme of the neoliberal era, with anxiety often directed at the impact of higher social spending on public debt levels. South Africa’s debt-to-GDP ratio was modest until the 2008 global financial crisis, but rose steadily subsequently, reaching 62% in 2019 and exceeding 80% during the COVID-19 pandemic in 2020.99 By way of comparison, the debt-to-GDP ratio in the United States was 79% at the end of fiscal year 2019 and was projected to rise to over 100% in 2021.100 It remains controversial at what levels and in which conditions public debt constitutes a threat to economic stability and growth, though there is persuasive evidence that public debt-to-GDP ratios can safely range considerably higher than mainstream economists customarily proclaim.101 In recent years, economists subscribing to modern monetary theory have counselled a much more tolerant approach to public debt.102

There are also practical ways to avoid profligacy while creating the space for a progressive fiscal policy that prioritises livelihoods, creates employment, builds social and capital infrastructure, and puts the economy on a more sustainable footing. Padayachee, for example, has proposed separating the budget into a ‘current’ and ‘capital’ budget, with the former balanced annually and the latter managed against a benchmark indicator over a longer period. The separation would allow ‘growth-enhancing capital expenditure in areas such as infrastructure, and non-wage expenditure on education and health, among others, to grow even at the short-term risk of running deficits’.103

An array of fiscal tools is available for pursuing redistributive policies, yet many are either misused or shunned. South Africa has a modern, relatively sophisticated tax infrastructure, but there is substantial, unused scope for interventions to prevent offshoring of wealth
and incomes, for the enforcement of stricter tax laws, and for reducing or eliminating the deductions, exemptions and loopholes that privilege large corporations and the wealthy. The redistributive impact of fiscal policy can be boosted through tax policies that help finance social policy interventions such as a UBI. As discussed in Chapter 5, this can be achieved with expanded and/or new taxes such as a wealth tax, taxes on unearned income, a land-value tax, a resource rent tax, a carbon tax and a financial transactions tax.

Fresh approaches are needed to deal with balance of payments constraints and to prevent and/or manage balance of payment volatility. On the current account (trade) side, industrial and other policies have to promote value-added exports with a bias towards ‘greened’ goods and services (which requires active state involvement in picking and supporting ‘winners’) and they have to reduce luxury imports.104

On the capital and financial account side, sage regulation can be introduced to temper volatile cross-border flows, and to route domestic capital towards local productive investment.105 The changes need not be drastic, and the latitude for making them has grown considerably in the past two decades. According to Ilene Grabel,106 for example, a ‘productive incoherence’ reigns currently in global financial governance and developmental finance, which creates space for financial policy and institutional experimenting.107 Grabel argues that controls on capital in- and outflows have ‘been normalized as a legitimate tool of prudential financial management, even within the corridors of the IMF’.108

Padayachee has argued that certain capital controls could be reintroduced in South Africa for a limited period (of five years, for example), with the Reserve Bank empowered and tasked to regulate capital flows more closely.109 Disruptive inflows can be better managed also by imposing a nominal tax on short-term transactions or using non-interest-bearing ‘quarantines’ on investment flows, and by requiring investors to place a share of their capital in long-term holdings, for example.110 Such controls would have to be applied in ways or in a context that can prevent unmanaged currency depreciation which, among other perils, would force
even greater reliance on extractive commodity exports (sabotaging the economic restructuring that is needed for a just transition). The controls will be burdensome for South African monetary authorities, but they are unlikely to exceed their administrative capacity.

Additional changes would expedite and bolster these attempts to refashion macroeconomic policy so that it serves societal needs rather than bends to corporate prerogatives. There is a strong case for a Reserve Bank which, while operationally autonomous, is publicly accountable and which is tasked with a mandate that extends beyond price stability to include broader growth and development priorities.\textsuperscript{111} Although the South African Reserve Bank, the prime monetary authority in the country, is wholly owned by private shareholders, it derives its mandate from the Constitution.\textsuperscript{112} Nationalisation is therefore not required to improve accountability and broaden its mandate.\textsuperscript{113}

Significant changes to the status and lines of accountability of the Reserve Bank are likely to provoke unhappy reactions from the financial markets, which will have to be managed politically. However, a loosening of the ‘narrow inflation targeting mandate’ of the Bank is both necessary and feasible, and it can be achieved in a democratically accountable and developmentally effective manner. For example, instead of the (current) inflation target, an investment target (with price stability constraints), or employment target, or poverty gap target would seem more appropriate in a country facing the predicaments that burden South Africa.\textsuperscript{114} The Reserve Bank has to adopt a more imposing stance that shifts the private banking sector away from predominantly rent-seeking and speculative activities to raising and allocating capital that can support a sustainable development path.

The South African state will have to assume a much more directive role in designing and implementing macroeconomic, industrial, labour and social policies that service the redistribution of income and the enhancement of capabilities, and that are ecologically sustainable. To do so, it will have to distinguish and play off the divergent interests that exist within the South African corporate sector, while at the same time defusing resistance.
The corporate sector in South Africa is not monolithic and is not equally beholden to the country’s current economic structure and path; sections stand to gain from a pro-renewables strategy, for example. The appetite for risk may still be limited, but for some corporations it is likely bigger than at any point since the end of the apartheid system. The havoc which the COVID-19 pandemic has added to already desperate social and economic conditions makes it increasingly difficult to promote confidence in business-as-usual approaches.

A more active and directive state also assumes that a bloc of support can be built within the ANC and the state for such a programme of restructuring. While not routine, assertions about the need for radical economic change are not uncommon in ANC discourse. However, in the past decade especially, these pronouncements have been deployed also – and perhaps increasingly – as rhetorical devices in political struggles inside the ruling party. In Mark Swilling’s assessment, ‘radical economic transformation is [being] used to give ideological legitimacy to what is essentially a political project to repurpose state institutions for the benefit of a power elite.’

It is unclear which, if any, factions in a fractious ANC can reliably consolidate and act on a commitment to a pursue redistributive and just development path. In addition, and especially in the wake of the governance failures and corruption scandals that characterised the 2010s, corporations are likely to remain reluctant to invest greater regulatory and interventionist authority in the South African state. Much clearer is the fact that the status quo is both unconscionable and unsustainable.