

## **IT'S NOT THE REDUCTION OF POVERTY BUT ALLEVIATION IN SOUTH AFRICA: WHAT ARE THE GOVERNMENT MANDATES ON RURAL YOUTH: NEW THINKING THROUGH COMMITMENT AND CREATIVITY NEEDED**

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### **ABSTRACT**

This paper intends to look at the issues identified in the title of this paper. It posits that the above issues are of cardinal importance to the success of South Africa. The long and short of the issue is that as long as the status quo is maintained by the ruling government, inequality will not disappear but will remain and outlines what will happen once the ruling party loses credibility as a stabilizing force. The issue of accountability is discussed within the ambit of democracy and, the paper argues that it's time to formulate a new democratic society. It further argues that the Finance Minister requires to reconcile, opposing and urgent mandates. Against this background, the issue of creativity and commitment, it is argued is, required as poverty in the country escalates. Other issues will also be raised as it pertains to the title of this paper.

**Key Words:** Inequality, Poverty Alleviation, Mandates, Creativity, Commitment, Democratic Society, Accountability, Youth

### **INTRODUCTION**

At last year's World Economic Forum (WEF), it was estimated that South African women were paid almost 33 percent less than their male counterparts for similar work. Stephen Mulholland (2014: 9) states in this regard that "The international pay gap average is 13 percent. And therefore South Africa needs to improve in this area, and that the government has to understand the myriad of problems that confront this unacceptable situation that, burdens modern womanhood." There is no doubt that all professions will inevitably number among them people with prejudices of a sexual racist, religious or other nature. It will be ridiculous that a situation can arise not to have staff equally divided on sexual basis. This obsession with enforced equality, however that is defined, is shared by those in political power at both the public sector and private sector, as long as it was and is for the chosen. Why asked these despicable people, were the Jews dominant in retailing, the professions, in general business and, in academia. Given what happened in this aftermath, it must now be believed that, with the present day, the struggle for German equal rights can be regarded as closed. Mulholland (2014) states that "inequality was topical at the recent forum in Davos in rich and insular Switzerland, where delegates wined and dined on vintage champagne accompanied by caviar while bemoaning the fate of the poor."

The endless debate on climate issues and poverty technically achieves nothing at the tax payers' expense because inequality is here to stay. In other words state fiat cannot change the reality of inequality Thomas Sowell (In Mulholland, 2014) indicates in his book: "The Quest of Social Justice" that "Women who never married and who worked continuously since high school were

earning more than men of the same description more than 20 years ago, before 'gender equity' became a major legal issue. In this regard Mulholland states that "A whole universe of the mind has already been created to explain inequality, as if equality were so natural and inevitable that its absence could only be explained by pervasive and sinister efforts against it."

Inequality, be it economic or otherwise, is not an evil to be fought with draconian law which threatens to put and place people in jail because they fail to hire sufficient numbers of female executives, managers, sales people, academics and so on. It can be said that such arguments are dictatorial, sadly among the more egregious offenders against female progress and equality is the male dominant Catholic Church, other religions and indeed governments in general that pay lip service to gender issues, and these by implication are the greatest offenders of human rights against women. It is against this pertinent background that the paper sets out to explore and discuss the issues that will be discussed in this paper.

## **DISCUSSION**

### **IT'S NOT THE REDUCTION OF POVERTY BUT ITS ALLEVIATION**

South Africa's budget that will be presented in Parliament on the 26 of February, 2014 will be the most challenging in the past 20 years. This will be further complicated by the fact that May 7<sup>th</sup> heralds nearly 20 years of South African democracy and it is an election year. Growth in 2013 was probably less than 2 percent and unemployment remains very high (anything from 25 to 40 percent) contributing to uncontrollable poverty and inequality, because of government indifference, compounded by its inability to deal with these issues decisively, reliant on doling out unsustainable social welfare grants to nearly 16 million citizens, in order to hold on to power. It's generally a systemic failure by the current government of South Africa, in improving the lives of the South African people. It therefore is an unenviable task for the Finance Minister to balance the budget. He has to juggle all these imperatives, but the problem is that fiscal flexibility is probably at its lowest since 1994. National accounts data have deteriorated to the point where the country is returning to the precarious position of 1993 / 1994 when it inherited a bankrupt country from the apartheid government, given the competing demands. Will he sell the budget as a growth and jobs budget or a welfare budget. How will expenditure efficiencies be improved and waste reduced? Will South Africa be positioned as a country of need or opportunity? Will the rating agencies be appeased? Will it be a budget that will respond to the 2008 financial crisis or will government policy be more interventionist? At the moment, the situation is that South Africa has underperformed its emerging – market peers in its recovery, a trajectory that seems more in common with the developed world, because unemployment remains high and wealth gaps have widened phenomenally. Hart (2014) points out that "this is due to the consequence of a top down approach to economic policy, which is supposed to lead to trickle down benefits for the poorest, but it has not. It's a question of fixing it but surely it is not rocket science that is required."

To any economist and scholars, it's a question of growing the economy by 5 percent or more and the investment rate needs to climb from the present 19 percent of GDP to 30 percent. Small businesses need to be created for purposes of creating jobs and growth; education must be improved to provide skills. Constitutional democracy and the judiciary must be consolidated without let or hindrance. The problem currently for the South African government is the fact that it is spending far more than it can collect from its narrow tax base. South Africa is therefore grouped with Turkey, Indonesia, India and Brazil as one of the 'fragile five' emerging markets. All five are battling both a widening current account deficit and a budget deficit, with South

Africa having a third deficit, in households, making it a triple – deficit problem. This makes the rand weak and therefore a knock on effect has been higher inflation with a R11 rand to a US dollar, rising fuel prices, a loss in investor confidence and a spike in social unrest, with an erosion of disposable income caused by inflation, escalating corruption, an inefficient government and a host of other pressing social problems. This has resulted in a very unhappy citizenry. If the Finance Minister raises taxes, it would signal that the government is trying to resolve its own deficit problems, in relation to other problems and, this would mean that government is attempting to transfer the deficit to households, which are also in deficit.

According to Hart (2014) “a far better approach would be to cut government expenditure, because this would address all three deficits. In an election year this would seem a populist move. Previous budgets have exemplified the expansion of the welfare state. Grants, education, health and social expenditure have been the main focus in trying to deal with poverty by the previous and current Minister of Finance. As a result South Africa has become a consumption focused society and what has been neglected is poverty reduction, which requires a shift of resources to investment.” This critical distinction is not fully appreciated. Poverty alleviation in South Africa is about grants being doled out and welfare; with very little attention being paid by government to reduce poverty by means of investment and the creation of jobs. Previous budgets have not catered for this scenario because the actions taken have progressively increased the welfare burden. Foreign investors do not pay much attention to this aspect, because they seek opportunity. The Minister should therefore focus on cutting or eliminating taxes that target capital formation, such as savings because at the moment and for several years the investment rate is too low and the savings rate is high. This has been counterproductive for several reasons. Capital gains tax is a damaging tax, as is the transfer duty on property. Equally bad are the taxes on pension withdrawal and death duties because they reduce the ability of households to save. If savings need to be boosted then cuts on taxes on dividends and interest is important. The tax burden should be shifted from those who save to those who consume. The idea must be to change behaviour and this would also assist in cutting the current account deficit. And thus automatically boost savings.

Hart, categorically emphasizes that “The Finance Minister will be judged on whether his budget improves the efficiency of government spending and eliminates irregular and wasteful expenditure.” However, South Africa has dug a hole for itself by focusing on poverty alleviation, in its actions and paying lip service to poverty reduction. It has thus become less attractive as an investor destination, because policy priorities have highlighted need while neglecting opportunity. The issue is can the Minister of Finance identify this. Only time will tell.

#### **THE MINISTER OF FINANCE’S HEADACHE AND PROBLEMS**

When presenting the budget the Finance Minister will be in a difficult position as reported by Mariam Isa (2014: 7). These are as follows:

- He must budget for an election year and appease rating agencies at the same time.
- It’s a question of policy and strict discipline.
- He has to find the money for new government initiatives, for example the National Health Insurance plan, Employment Tax Incentive and the National Development Plan.
- Servicing South Africa’s very expensive foreign debt and the rands slide does not help matters.
- Infrastructure costs become higher and therefore a balance is required to boost economic growth in a sustainable manner.
- Avoid a further credit downgrade if it overspends, thus raising the cost to government debt and further discourage foreign investment.

- He has to address the budget in terms of political stability.
- Growth forecasts will have to be cut for this year and the next because of the economy's poor performance because of sluggish demand for exports and weak household consumption, which has been curbed by rising inflation and a poor employment outlook.
- Taxes would sooner or later have to be increased because the country cannot borrow more without negative impact.
  - How does the Minister balance issues by not widening the budget deficit which would lead to more borrowing.

The spending of R1.6 billion on youth training that has come to naught is a scenario that adds to the impression that a corrupt government is out of tune with the development of the nation. This is a case of a government's total disregard for good governance and proper mismanagement of taxpayers' money. This is the flagrant abuse of power and public property without accountability. This example of The National Rural Youth Service Corp's failure to deliver on its promise is very serious. Young South Africans are the key to creating a healthier environment for growth, leadership and social prosperity. What message of this failure, allowing students to receive their R1300 rands monthly stipend without receiving the requisite training, sends to future leaders and entrepreneurs? This hampers growth, and therefore, it is time for the people to formulate a new democratic society in and for South Africa, for the purpose of accountability.

#### **NEW DEMOCRATIC SOCIETY NEEDED FOR PURPOSES OF ACCOUNTABILITY**

The question is – Is South Africa on the verge of the end of 20 years of bourgeoisie democracy and the beginning of people's democracy? Andile Mngxitama (2014: 33) asks “have we arrived at the crossroads where the political class can no longer rule as it wishes, or can only rule by increased force. because the consent of the ruled has been revoked”? the state and capital can no longer conceal their murderous ways. The crisis is both political and economic. It's a democracy of the bourgeoisie and the ruling capitalist classes. They both favour capital over people. Mngxitama (2014: 33) indicates that “there are two general responses to the limits of bourgeoisie democracy; the first is that large numbers of people simply stay away from the polls or they spoil their ballots. Boycotts combined with mass struggle can force change, but if the struggle is low – key, sporadic and regional, its business as usual for the political class. The second reaction is to punish the ruling parties by voting for an alternative party. This is treacherous because false alternatives can present themselves, who can perpetuate the same system. But this opens an opportunity for alternatives to give content to democracy and to realize popular programmes of transformation that serve the people at the expense of the bourgeoisie. Then bourgeoisie democracy is turned into people's democracy.” There has to be an expressed revolt against the ruling politicians. And there must be a political movement or party that represents the mood of the disaffected majority with an ideological programme that must seek to end bourgeoisie democracy.

Mass protest and the violent reaction of the state indicate that the country is in a period of possible rearticulation of politics. Demanding accountability must become the ethic that must define the relations between representatives and the masses of people. A people's democracy harnesses the energies of the people, it trusts their collective wisdom. If South Africa wants a new society, we need to abolish problems with the support of a pro – people state, to give meaning to democracy. Development is not a technical endeavour by professionals; it is a political process that must unleash the people's energies and creativity.

## **NEW THINKING REQUIRED**

At the current moment in South Africa's political landscape and as things have unfolded in the first two decades of democracy and freedom, since 1994 new thinking, creativity and commitment is needed in order to capitalize on the African, National Congress alliance which is in disarray, according to Andrew Gasnolar (2014: #). This will mean taking on board successful lessons from elsewhere in the world, notably in the European Union, where diverse parties and countries have supported a common candidate. Each of these attributes will be lost if attempts to change politics in the country are held in the vice of self – interest, ego and ideology. This is because the state of the nation is a poor reflection of democracy and therefore opportunities present themselves to shifts in the governing alliance. This opportunity presents itself for regaining the country which stands on the brink. The ANC Youth League and the trade Unions are shadows of their glamorous selves, and some of the affiliates of the Congress of South African Trade Unions have turned their backs on the ANC. The government must not be allowed to spin its failures any longer in the interests of the country, the question is, can the opposition find ways to bring millions of disaffected voters back into the national political debate and so again inject South Africans with enthusiasm and hope?

In South Africa's political system, given that the president is nominated and appointed by members of parliament only after an election, we require against the governing party's failures, a movement that will support a common candidate against a weakened president. South Africa's multiparty democracy has to be strengthened on the basis of putting the country first and to fundamentally change the politics of the country. This will allow for presenting the citizens an option for drastic and necessary change on May 7<sup>th</sup> as the country prepares for elections. This must be done creatively and without self – interest. The citizens of South Africa must enjoy a political system in which members of parliament are represented by and report to their direct constituencies.

It is obvious from a purposeful reading of South African politics in the first two decades of democracy and freedom that a strong and united opposition will be good for the ANC. This can be achieved by means of political consolidations, if done properly and will therefore be the lifeblood of both opposition and ruling part life, according to Biko (2014: 29). One of the major problems is the reality that leaders in South Africa have failed to execute complex mergers because of their inability to break down entrenched interests. History has shown that mergers and consolidations are a part of both opposition and governing party life. The ANC has swallowed the former racist Nationalist Party without being accused of selling out the democratic Alliance and the new political party Agang needed to earn this right. All South Africans require a healthy and vibrant democracy consisting of both white and black members of society. Opposition has to step up its game in order to provide alternatives, as bridge builders in order to save South Africa from anarchy presently that is being experienced in many walks of life under the ruling party. It is obvious therefore that a united opposition is now required in order to align and realign South African politics and its ebbing democracy.

## **CONCLUSION**

South African politics is on the brink and abyss of destruction under the ruling party. Life has not improved under democracy. The Presidents tantrums in stating that the ruling party has a good story to tell is indeed a ludicrous statement that is being echoed by ANC politicians amidst its failures over 20 years of democracy. This call is the duty of an elected democratic government – nothing more and nothing less. The people of South Africa should not be hood winked by the government because it is an election year, they should be allowed to cast their votes without fear

or favour, without any let or hindrance. Democracy must triumph, constitutional democracy must triumph and the rule of law must be allowed to triumph, in order to restore law and order and thus make South Africa work for the sum total of its population and raise its profile locally, regionally and internationally.

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