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**Summary notes from the Harold Wolpe Forum debate of 20 May 2003:  
'An incomplete transformation: What is to be done?'**

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**Speaker:** Emeritus Professor Sampie Terreblanche, Department of Economics, University of Stellenbosch

**Respondent:** Rob Davies, chairperson: parliamentary Portfolio Committee on Trade and Industry

**Venue:** Idasa, Spin St, Cape Town

### ***An incomplete transformation: What is to be done?***

#### **Introduction**

My book *A history of inequality in South Africa 1652–2002* is about the unequal distribution of property, opportunities and income, mainly about the following:

1. It is a history of unequal power relations: political, economic and ideological.
2. It is a history of unfree labour patterns: slavery, *inboekelingskap* (an institution by means of which settlers stole black children to provide free labour), black labour repression, discrimination (and the resultant unemployment).
3. It is a history of uneven socio-economic development of the different population groups: English speakers, Afrikaners, coloureds, Indians and Africans.

#### **Unequal power relations and uncontrolled power blocs**

These blocs were as follows:

- VOC (Dutch East India Company): A mercantilist corporation and a law unto itself (1652–1795).
- Boer Commando: An instrument of deprivation, suppression and stratification (±1700–1914).
- British Colonial Office and British Army: Exerted their influence all over South Africa (1795–1910).
- The media: English-oriented media from the Graham's Town Journal to the Mining Press were instruments of ideological power. Later the Afrikaner newspapers and the South African Broadcasting Corporation exerted the same kind of power.
- The mining corporations and the Chamber of Mines (±1800–±1950) exerted political and economic power.
- The English establishment exerted political power from 1840–1948.
- The Afrikaner establishment exerted political power from 1948–1994.
- The corporate sector and its global partners have been exerting economic, political and ideological power since 1980.
- The National Executive Committee of the African National Congress (ANC) has been exerting political power since 1994.

#### **Systemic periods in South African history**

The source of inequality in South Africa is systemic deprivation:

- The systemic period of Dutch colonialism (1652–±1800).
- The systemic period of British colonialism (±1800–1890).
- The systemic period of the two Boer republics (1850–1900).

- The systemic period of British imperialism and the political and economic hegemony of the English establishment (1948–1994).
- The political hegemony of the African establishment since 1994.

Labour is always an important issue in ~~this~~ colonialism. Slavery and *inboekelingskap* were feudalistic forms of forced labour. ~~In~~ By 1838 *inboekelingskap*, indentured labour and slavery was abolished, but the British settlers convinced the authorities to put ‘master and servant’ laws on the statute book to continue the system of unfair black labour repression. Similar laws remained in force until 1986. In the mid 19<sup>th</sup> century, labourers had to enter into five year contracts with their employers. Any complaint lodged by the employer against the labour saw the labourer jailed. From 1840–1870 onwards black people were systematically deprived of their land, forcing them to seek income through contract labour.

When gold was discovered in South Africa around 1860, in 1986 Germany was the economic pace setter in Europe. Although London was the financial centre of the world, England was in a depression and it had a negative balance of payments. The gold was of low quality, so extracting it needed huge investment and cheap labour. All attempts to recruit cheap labour failed. In 1894 Cecil John Rhodes signed the Glen Gray Act into law to force people off the land in Transkei and onto the labour market, but there was still not enough cheap African labour. So Britain wanted to control the Transvaal Republic to pressurise blacks residing in those areas onto the labour market. Milner was ordered to make labour cheaper, so he imported 64 000 Chinese to work on the mines. The South Africa Native Affairs Commission appointed by Milner reported in 1905 that the only way to get enough cheap labour would be to deprive blacks of their traditional farming livelihoods – to turn Africans into a landless proletariat with no choice but to seek contract labour. The Union of South Africa came into being in 1910. The new government sought to address the labour problems of the mines and maize farmers. In 1913, the Botha-Smuts government enacted the Land Act – the single most important piece of legislation passed before 1994. ‘Squatter’ farming was and share cropping were prohibited and the pass laws enacted. From 1913 to the early 1970s, the exploitation of cheap South African labour was the rock on which the agricultural and mining industries were built.

### A process of impoverishment

The income of black South Africans per capita as a % of white income levels for 1917, 1970 and 2000 were as follows:

	1917	1970	2000
<b>Africans</b>	9%	6.8%	15%
<b>Coloureds</b>	22%	17%	22%
<b>Asians</b>	22%	20%	54%

In 2000, the income of Africans as a share of white income went up from 6.8% in 1970 to 15%. However, the rise was not uniformly distributed – while the income of the top 25% of Africans went up, the income of the bottom 60% went *down*.

### Racial income shares

During the period 1900–1975:

- whites comprised less than 20% of the population over this period but they consistently received more than 70% of all income
- Africans comprised almost 70% of the population but they consistently received less than 20% of all income

- Coloureds and Indians comprised approximately 10% of the population and they received about 10% of all income.

Over the period 1975–2000:

- whites comprised less than 17% of the population but they received an average of 54% of all income
- Africans comprised an average 73% of the population but on average they received only about 33% of all income
- Coloureds and Indians comprised 12% of the population and they received an average of about 14% of all income.

### The sharp decline in the income of the poorest 40% of African households since 1970

1. The percentage increase in the per capita income of all Africans from 1917–1970 was as follows:

	Africans	Whites
<b>1917–1936</b>	23%	47%
<b>1936–1946</b>	59%	37%
<b>1946–1960</b>	9%	19%
<b>1960–1970</b>	24%	47%

2. The percentage decline in the household income of the poorest 40% of Africans from 1975–2003:

<b>1975–1991</b>	– 42%
<b>1991–1996</b>	– 21%
<b>1996–2003</b>	– 10–15%
<b>Entire period (1975–2003)</b>	– 60%

3. The household income of the poorest 40% of African households in 2003 is only 40% of what it was in 1975.
4. The annual mean income of the poorest 40% of African households declined from ±R5 200 in 1975 to ±R2 240 in 2003 (1996 prices).

### Unemployment

	1970 ('000)	1995 ('000)	2001 ('000)
<b>Total</b>			
Labour supply	9 500	13 500	±15 000
Employed	7 500	8 600	8 100
Unemployed	2 000	4 900	6 900
Unemployed %	21%	36%	46%
<b>Africans</b>			
Labour supply	7 000	9 400	±10 000

Employed	5 300	5 000	4 700
Unemployed	1 700	4 400	5 300
Unemployed %	24%	47%	53%
<b>Employed % of total African population (i.e. not just economically active)</b>	<b>34%</b>	<b>17%</b>	<b>13%</b>

### **Reasons for the further impoverishment of the poorer 50% of the population since 1994**

The socio-economic conditions of the poorer 50% of the total population deteriorated in the post-apartheid period in spite of increased social spending on blacks. Social spending increased from ±51% in 1993 to ±58% in 2003 of non-interest government spending. However, the structural dynamics endogenous to the situation of disrupted social structures and abject poverty or, to put it differently, the socio-economic legacy of apartheid has acquired a momentum of its own and is rolling on. The government's social policy and poverty alleviation programmes are insufficient to turn the situation around.

### **Poverty traps**

The poorer 50% of the population are the victims of several poverty traps that have increased their poverty:

1. **The high and still rising level of unemployment in a slow-growing economy.** African unemployment declined from 5 million (or 17% of the total African population) to only 4.7 million (or only 14% of the total African population). In 1970 34% of the total African population was employed.
2. **The deeply institutionalised inequalities in the distribution of socio-economic power, property and opportunities between the top 1/3 of the population and the poorer 50%.** The poorer 50% is powerless, propertyless, without opportunities and almost completely marginalised from the modern or capitalist sector of the economy. Even if a consistent growth rate of 6% could be achieved, the 'trickle down' effect to the poorer 50% would not have been meaningful. (Gear – the Growth, Employment and Redistribution macroeconomic framework – is based on unsound propositions.) The new government's institutional base for addressing poverty is extremely weak.
3. **Disrupted social structures and chronic community poverty (the sub-culture of poverty).** A poverty 'mentality' and anti-social and deviant behaviour patterns have become institutionalised in the ranks of the lower strata of coloureds and Africans. Poverty is transmitted from one generation to the next.
4. **The mutually reinforcing dynamics between violence, criminality and ill-health on the one hand, and the process of pauperisation on the other.** Crime and violence cause poverty and poverty and unemployment cause crime and violence – a vicious circle. Poverty and unemployment cause ill-health and ill-health causes poverty. There is now a new vicious circle: poverty causes sexual promiscuity, sexual violence and Aids, and Aids causes increased poverty.

### **An incomplete transformation**

We have experienced a remarkable political transformation in 1994, but not a parallel socio-economic transformation. Over the last nine years, the top 30% of the population has become richer

and the poorest 50% poorer. The socio-economic legacy bequeathed to the new government by the apartheid regime in 1994 was worse than it was thought to be. Since the mid-1970s, poverty is like a snowball rolling down a hill, picking up momentum as it goes. The new government is spending more on poverty alleviation, but not enough to stop the rolling snowball. Why is the government not spending more? The ANC government's power and sovereignty are restricted and it does not control enough resources to administer a socio-economic transformation.

### **The transitional period (±1985–1994)**

1. At the end of the 1980s all the main power blocs were in a crisis:
  - The Afrikaner establishment was in a survival and legitimation crisis.
  - The corporate sector had been in an accumulation crisis since 1974 – it realised that it had to normalise the political situation in order to continue to make a profit.
  - The ANC was in a financial and 'military' crisis since ±1985.
  - All three of these crises were aggravated by the social or poverty crisis of the poorest 50% of the population.
  - These political, economic and social crises made up an integrated organic crisis.
2. The bargaining power of the corporate sector was very much enhanced in the early 1990s by:
  - the fall of the Berlin Wall
  - the implosion of the Soviet Union
  - the rise of global capitalism and the triumphalism of capitalism and global corporatism in the 1990s
  - the power and influence of global corporatism and the Bretton Woods institutions.
3. Since 1978 English and Afrikaner corporations became excessively involved in politics in desperate attempts to solve their accumulation crisis. They played positive and negative roles in the long transitional period. There was a double negotiation process: the formal negotiations at Kempton Park and informal negotiations, many of them held at the Development Bank of Southern Africa in the early 1990s.
  - In the formal negotiations the ANC outwitted the NP with the support of local and global corporate sector.
  - In the informal negotiations on the future economic policy and policy, the powerful local and global corporate sectors succeeded in outwitting the ANC, convincing it to accept a neo-liberal, globally-oriented economic approach.
  - It was necessary to 'box in' the ANC, but the 'boxing in' was overdone. You cannot impose a Bretton Woods free market ideology on the ash heap of apartheid when 50% of the population are marginalised.

During the negotiations, the growing social crisis was neglected:

- No deals were struck to address the poverty problem *directly*.
- The main purpose of the formal and informal negotiations was to find solutions for the political (or legitimation) crisis and solutions for the economic (or accumulation) crisis.
- The poverty crisis was supposed to be solved *indirectly* by political stability and economic growth.

- Unfortunately, the three parts of the organic crisis of the 1980s and 1990s were not addressed simultaneously.

### **The political and economic transformations of the past 30 years**

1. In 1970 our dual politico-economic system was one of white political dominance plus racial and colonial capitalism. This was a very dysfunctional system because  $\pm 80\%$  of blacks were systematically exploited.
2. Both the political and economic parts of our dual politico-economic system have changed drastically since 1970:
  - The political part changed into an African elite democracy, given our system of proportional representation and the power of the African elite over the ANC National Executive Committee and the party.
  - The economic part became much more capital intensive and its labour absorptive capacity became much weaker.
  - The modern sector of the economy has changed over the past 30 years into an open, globally-oriented, First World capitalist enclave.
3. Our new politico-economic system is an African elite democracy plus an open, globally-oriented First World enclave.
  - This politico-economic system is also dysfunctional because 60% of the blacks are excluded and neglected by both the political and the economic parts of the dual system.

### **The corporate sector believes its own myth about the functionality of the so-called free market economy**

1. I do not believe the corporate sector is a bunch of rascals (*skurke*) as one reviewer of my book claimed. The sector is myopic and believes its own myths that economic growth will pull blacks out of poverty. This will not happen.
2. According to Adam Smith, the selfish drive for profits by individuals and corporations will be co-ordinated by an 'Invisible Hand' to the benefit of the population as a whole.
3. Smith's 'Invisible Hand' is not and cannot be applicable to South Africa. He put many conditions on this theory. What is being propagated by the corporate sector in his name is a vulgarised version of what he said.
4. In South Africa 50% of the population is marginalised, property-less, unemployed, uneducated and without a national and/or capitalist mentality to pursue their long-term self-interests systematically. Consequently, they are trapped in a situation of poverty and neglect.
5. The modern corporate sector is smart, efficient and powerful (behind ~~the~~ Adam Smith's Invisible Hand there is always an Iron Fist ~~according to Smith~~). The so-called free market system, free market policy and free market ideology serves corporate sector interests very well, but to the detriment of the poor.

### **Unequal power relations in the post-apartheid period**

1. We are still confronted in the post-apartheid period with the problem of unequal power relations:
  - Too much power is still concentrated in the hands of the mainly white-controlled corporate sector and in the hands of global corporatism.

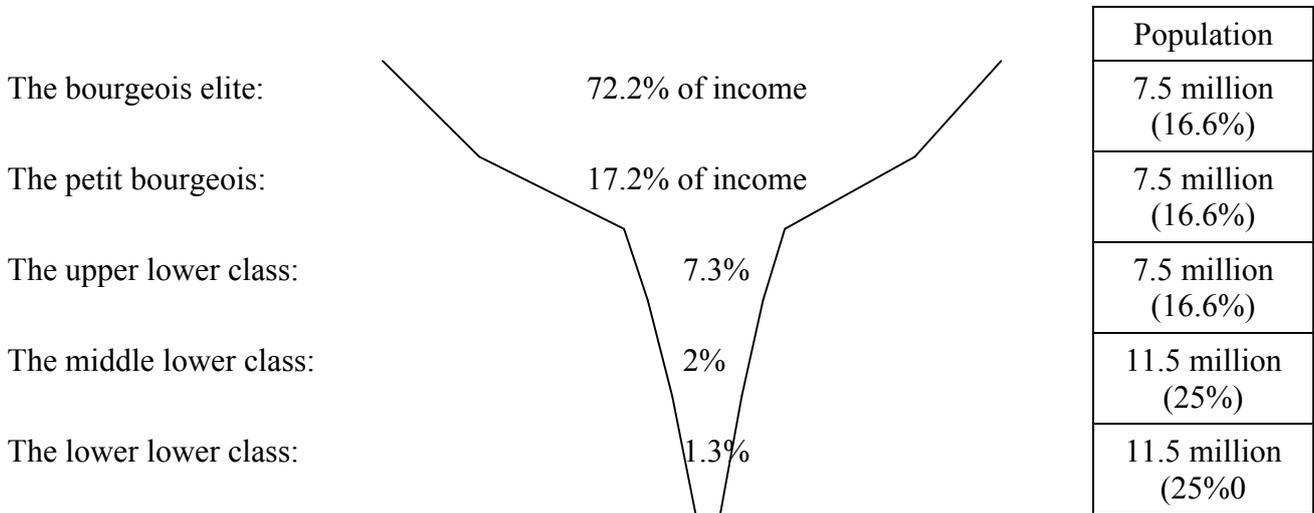
- The corporate sector won the ideological argument hands down and convinced the ANC to agree to a liberal capitalist version of capitalism and to the idea of globalisation. These things are what the corporate sector wants.
- The political, economic and ideological power in the hands of the ANC and its bureaucracy is not enough to enable them to address the dismal legacy of apartheid in an appropriate manner.

**South Africa is presently a two-world nation**

The one nation is multi-racial, powerful and rich and it inhabits the First World enclave. This group comprises 15 million people, 5 million white, and 10 million black.

The other nation is black, powerless in the socio-economic sense, very poor, and it inhabits the Third World periphery. This nation is a lumpen proletariat of 23 million people, almost exclusively black. The other 8 million is the upper lower class. The position of this group is not problematic – it wavers between the two nations.

**South Africa’s highly stratified class society 2001: Distribution of income**



The lumpen proletariat (the middle lower class and the lower lower class) are the very poor, and their breadwinners are mostly unemployed. This group makes up 50% of the population but it gets only 3.3% of all income.

As the trend towards ‘enclivity’ continues unabated, the enclave will detach itself further from the labour market of the lumpen proletariat and it will not be inclined to serve the poor, even if a higher economic growth rate is attained.

Government remains adamant that it is winning the battle against poverty but as long as the capacity of the public sector is weak, the government will not serve the poor. Consequently the gap between the bourgeoisie and the lumpen proletariat will become bigger and bigger.

Has the poorest 50% of our population become poorer since 1994? This question has become very controversial. Since November 2002, President Thabo Mbeki has claimed on at least three occasions that the poor have not become poorer and that the government is succeeding in pushing back the frontiers of poverty. He has also said that it is irresponsible and/or unpatriotic for South Africans to say that the poor are getting poorer.

### **What the newest statistics say about poverty**

1. In a September 2002 publication by Statistics South Africa, it is stated quite categorically that “the poorest 50% of the population were even poorer in 2002 than in 1995”.
2. According to *Global Insight* (2002), in 1996 17.1 million people (44% of the population) lived below the Minimum Living Level as calculated by the Bureau for Market Research, while in 2001 22.3 million people (50% of the population) lived below the Minimum Living Level.
3. According to *Global Insight* (2002), in 2001 the poor needed R33 billion to bring them up to the Minimum Living Level.

### **The dynamic characteristics of the poverty problem**

1. Apparently the ANC government does not have a clear appreciation of the comprehensiveness, the depth and the endogenous dynamic character of the poverty problem in South Africa.
2. It is of the utmost importance that the government should acknowledge the structural nature of the poverty in which at least 20 million people are trapped.
3. I regard it as part of my academic responsibility to uncover the true nature of our poverty problem. I cannot understand why I should be resented for doing it.

### **An agenda for socio-economic transformation**

1. A paradigm shift from the liberal capitalist and free market ideology of the British-American world towards the social democratic ideology of continental Europe which recognises the role of the state and the role of civil society. On 24 May 1994 Nelson Mandela said we are committed to a people-centred society. The people-oriented approach of Europe can be reconciled with the African approach, not a kind of reductionist individualism. We need a different ideological approach.
2. The ANC should engineer another power shift by asserting itself vis-à-vis the corporate elite to implement a well-balanced, social democratic and human system of democratic capitalism. The state does not currently have the necessary sovereignty to do this. The Growth and Development Summit could only be successful if the serious systemic nature of the problem is looked at. The entire system of power relations needs to be renegotiated. Do we have to wait for another struggle before this is done?
3. A distributive shift to bring about the necessary redistribution of income, opportunities and property to create humane living conditions for the poor. This tendency to an enclave will lead to the rich becoming fewer and richer, and the poor becoming poorer and more in number. What are we doing? We need to wake up.

### **Rob Davies MP**

I welcome the publication of this book. I will comment on Chapter 11 of the book which is about how Sampie Terreblanche sees the way forward. His last points are a sobering reminder of the challenges and impact of restructuring via globalisation.

There has been this debate that has been whether things get better or whether things are getting worse. Prof Terreblanche’s argument is a left version of the ‘things have got worse’ school of thought. I don’t believe the reality of the lives of the poor can be captured by this simple dichotomy. Things have both got better and they have got worse. Things have got better in the sense that there has been important delivery of social services and the social wage – for example, the building of 1.3 million houses and significant improvements in the provision of water and electricity. Also, people

engage in defence of their rights in various forums. The restructuring of processes by globalisation has had both positive and negative effects. The negative effects have been felt mainly by people in lower skilled industries – about 1 million have lost their jobs in these sectors. This is one of the main reasons that we have greater poverty.

Unlike what Prof Terreblanche has said, President Thabo Mbeki is not in denial about the extent of poverty. The president has spoken about two societies, one of which is characterised by poverty. On page 424 of his book, Prof Terreblanche says that the basic propositions of the ‘trickle down’ effect will not work, that there will be no higher economic growth. I agree this is not a way forward. But what does he identify as an alternative? He says we must find the solution in the continental European social democracy which he contrasts with ‘Anglo American neoliberalism’.

I think it is important to understand how neoliberalism has come to have an influence on our economic policies. It was not about elite pacting in the Development Bank of Southern Africa’s offices at the time of Codesa. Although Lionel Philips wined and dined Smuts and Botha, he did not buy them off. Our economic policies are the influence of processes associated with globalisation – agreements in the World Trade Organisation (WTO) which effectively say ‘open up your markets or you don’t trade’. More important is the mechanism known as ‘the market message’ – if we are not ‘market friendly’, there will be outflows of capital instead of inward investment. We found ourselves on a slippery slope – we adopted some of the market package to attract investment, it did not work, then we went further. Many countries have done this. There have been some important changes in global forces which have created opportunities and risks. The Asian crisis of 1998 punctured the idea that if you adjust to the world economy, if you embrace neoliberalism, economic growth will follow. The pressure on the WTO which started in Seattle focuses on the way the global economy is characterised by global inequality.

An article in the most recent *African Communist* says the battle is now about the US asserting its power over other countries regardless of their economic ideas. Prof Sampie offers us a ‘capitalism vs capitalism’ choice. Will Hutton has shown how neoconservatism can be destructive. He says the financial engineering which took place in Boeing put shareholder value above aircraft engineering. Because this is not the case in Airbus, he says, Airbus has new aircraft models and Boeing does not. Neoliberalism has asserted itself, even in continental European social democracy. I don’t believe that locating our solution between different types of Northern capital will work. We need to be located in the South. Social democracy leaves the relations of production of capitalism intact, and it puts a social welfare system on top of that. I don’t believe that this broad church that is the ANC simply embraces neoliberalism, it also concentrates on social delivery. In the circumstances, do we need to spend more on social services, or do we need to do something else? Neither social democracy nor ‘trickle down’ economics will work. We are a developing country and the problems are developmental ones.

The discourse in government is beginning to move from a focus on macro-economy to one on micro-economy. The need to roll back the frontiers of poverty informs debates and interventions into the real productive relations in the economy that give rise to poverty. There is discussion about infrastructure investment, public works programmes, labour intensity and the promotion of sustainable livelihoods, including upgrading informal employment. The Growth and Development Summit will seek to unlock resources in programmes where they are underutilised. Most of these debates are taking place in the broad ANC Alliance. Everybody should buy and read Prof Terreblanche’s book.

## **Questions and comments**

### **Interest rates**

- The essential premise in developed economies is extensive capital and less extensive labour. Destroying the currency has not led to economic growth – we need to bring interest rates down to 7–8% rather than strangling economic growth through high interest rates.

Prof Terreblanche: High interest rates are linked up with global capitalism. We had to protect ourselves against the cold wind of international competition by imposing high interest rates.

Rob Davies: There is a growing momentum for a small reduction in interest rates. Financial orthodoxy is not necessarily getting us what we want. Our currency is overvalued in some respects.

### **Shifting assets out of South Africa**

- How can we get capital that has been allowed to transfer its domicile outside South Africa to return?

Prof Terreblanche: The shifting of the main listing of corporations like Anglo American and Old Mutual shifted a large part of South African assets out of the country. I don't know if it is possible to unscramble the omelette.

### **Government denial about poverty**

- There is denial in government about poverty, and to deny this is in itself a form of denial. This is not about whether things have got better or whether they have got worse. It is not about have things got better or have they got worse. Prof Terreblanche is talking about growing inequality. There should be a recognition at the highest level that this is the central problem in our society.

### **Social wage gains are undermined by poverty**

- The programme of social delivery is being fundamentally undermined by poverty and inequality – leading to, for example, telephone cutoffs and people selling their houses for very little, just to get some money.

Prof Terreblanche: Poverty has become worse. The social wage would have been important if there were no disconnections of new services supplied to poor people.

### **Neoliberalism**

- The question is whether Gear was inevitable, given the dictates of the Bretton Woods institutions. Rob Davies implies that the signals of the market were that a neoliberal system was inevitable in South Africa. Was another alternative possible? Yes. With the 1998 Asian crisis, there was overnight social upheaval. Some countries caved in to International Monetary Fund (IMF) and World Bank dictates to protect the capital of foreign investors, but others like Malaysia said they would impose capital controls and were extremely successful. Even the IMF has accepted that capital controls were beneficial to Malaysia.
- Why has Prof Terreblanche seized on Western European social democracy rather than examples from the Far East? Asia started from a weaker industrial base. Korea was devastated by the Korean War in the 1950s. It rejected IMF prescriptions and its economic recovery and development were swift. IMF prescriptions have messed up the Russian economy.

Prof Terreblanche: The phrase 'Tina' is used – 'there is no alternative' – but there are always alternatives. We were bulldozed into global capitalism and liberalised trade and capital flows to our detriment. Even the economically conservative journal *The Economist* has argued there may be merit in poor countries liberalising trade, but that capital liberalisation is not working for poor

countries. Gear promised us foreign direct investment of 5–6% of GDP **annually**, but we have only received 1%.

Rob Davies: I don't want to go into whether there was too much surrender or an alternative, but we now find ourselves in a situation where Tina no longer rules, it is now 'Theba' – 'there has to be an alternative'. The government is initiating significant developmental interventions to deal with structural inequality and poverty in South Africa. I don't think we will necessarily find a model for what we should do in the East. The economies of the Far East developed at a different time. The World Bank has acknowledged Malaysia's success, but that also happened at a different time. We need to learn lessons from the experience of others and build them in to what we decide to do. We need policy-led interventions to address poverty.

### **Job creation**

Rob Davies: The challenge is not just about job creation in the formal sector – sustainable livelihoods is the name of the game. The alternative is not just a social wage package, but a restructuring of the relations of production to directly address livelihoods. Some jobs may come from public works programmes, deliberately choosing labour-intensive techniques to ensure there is real practical labour absorption.

### **Is social democracy a model for us?**

- To say we should not be looking at social democracies does not look at the examples of India, China and Malaysia which have put economic sovereignty first. It is too simple to write off social democracy as a variant of capitalism. Social democracy forced capital to make compromises. A developmental state has a critical role to play to make capital compromise.

### **The importance of power relations in history**

- I am thankful to Prof Terreblanche for emphasising the role of power relationships in history. Ideologies develop from those power relationships. In the process, people become convinced of their superiority or inferiority. We will suffer the results of this for another century.

Prof Terreblanche: Power relations is what my book is about. A new set of unequal power relations were instituted in the 1990s, with the corporate sector in the driving seat and government as the junior partner.

### **Poverty is not only a Southern problem**

- Both speakers overemphasised the fact that we live in a dual economy. In the UK and US, for example, an underclass is developing like the one here. There are hopeless, 'feral' children even in the rich countries.

Rob Davies: There is an underclass in many countries, there are more feral children in South Africa and an even larger number in Somalia. The formal capitalist economy must change.

### **Asset redistribution**

- Given the role of asset deprivation in the development of poverty, what is the role of asset redistribution to address structural poverty? Redistribution can be part of social democracy or neoliberalism – it addresses capital directly.

Rob Davies: I am sure that asset redistribution is a critical element of the battle against poverty, but the housing programme has shown that the transfer of assets does not, on its own, form the basis for enabling people to start other things or stimulate demand. There needs to be a total package of measures to enable people who acquire assets to make productive use of them.

### **The role of education**

- My experience is that, even among those who are in employment, there is a massive lack of education and skills. Seeing that poverty is the result of systemic deprivation, how can we address the skills and education deficit – raising taxes, sector education levies?

Prof Terreblanche: Government is currently spending R55 billion a year on education – quite a large amount. But some parts of the Department of Education are very poor, especially the part that used to deal with ‘African’ education. This provides employment for teachers, but in many places there is not much school. That part of apartheid is being perpetuated. We need to institutionalise a culture of service and education. We must concentrate on education, formal education and inservice education. In the US, the amount spent on post formal education is four times the amount spent on formal education.

Rob Davies: Skills development and training are very important. People who have lost jobs are mostly people with less than matric qualifications. People in lower skilled positions have found their jobs have been outsourced and there is a mismatch between what is needed and what they have to offer. Training is not enough, we need to assist people to establish alternative productive activities as well. The promotion of sustainable livelihoods with co-operatives is becoming more important.

### **BIG**

Prof Terreblanche: The government is not doing what is necessary to address the nature of our poverty problem – people have no cash flow. I am in favour of a Basic Income Grant, the philosophy is a good one, but I have some reservations about its applicability. The government has to play a bigger role, but rolling back the role of the state is part of the neoliberal endeavour.

Rob Davies: Hopefully the Basic Income Grant is up for debate, along with other practical measures to address poverty.