

## **SOUTH AFRICA'S DANGEROUS TRIANGLE OF RACE-CLASS INEQUALITY**

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Twenty years ago, in late November, I was the first person to give evidence before the Truth and Reconciliation Commission's (TRC) institutional hearings on the role of Business and Labour under apartheid. I proposed that a wealth tax ought to be levied. The income could be used to set up a restitution fund to help alleviate the worst poverty in South Africa.

The proposal elicited robust disapproval. One newspaper caricatured me as an alien apparition from outer space.

The most strident critiques came from representatives of Sanlam, Rembrandt, De Beers and Anglo-American. For instance, Ann Bernstein from the Anglo stable argued: "Corporations are not institutions for moral purposes...They are not institutions designed to promote some or other form of morality in the world. Other institutions exist to fulfil these purposes."

But to her credit, Bernstein admitted corporate financial support for what was considered a crime against humanity: "Life is not a morality play. There are very few people who give up everything for their beliefs and ideas. Business in South Africa accommodated itself to the apartheid system."

My 1997 proposal for a wealth tax was based on the deplorable and pervasive poverty, inequality and unemployment in which at least half of South Africa's population was and is systemically trapped. The testimony motivated me to write the book *A History of Inequality in South Africa*, in which these structural poverty dynamics were canvassed in full historical perspective. Since then, a further deterioration of the socio-economic problems in especially the black community has been a core feature of the economy.

About twenty percent of the population is being advantaged in undeserved ways. We could subdivide this twenty percent into two groups of ten percent each: ten percent white and ten percent black.

And forty percent of the population could be described as undeservedly impoverished. This leaves us with three well-defined groups: a white elite, a black elite and a very poor, mostly black, mass. Keep in mind that the remaining forty percent of the population is largely dependent on very low wages.

- In one corner of the dangerous triangle, the white elite lives it up with undeserved wealth and extravagance.
- In the second corner the black elite also covets luxury and overindulgence.
- In the third corner, the black majority barely survives in undeserved inhumane poverty and deprivation.

If these three dangerous corners of the triangle reflect a true version of the South African reality, what should we do about it? It would be a colossal mistake to ignore or underestimate the dangers locked into this unequal division of income and wealth.

The white elite has benefited from money hoarded since the years of Jan van Riebeeck. Their wealth is mainly "old money" passed down through estates. Most of this "old money" is concentrated in the pockets of the Ruperts, Oppenheimers and Bekkers, dating to apartheid but growing disproportionately as a result of post-apartheid policies. The white elite manifests wealth in ostentatious mansions, expensive cars, luxury apparel and extravagant holidays.

The black elite also accumulated much money, mostly in the more recent past. This elite group is a *nouveau riche* that also behaves like one. Much like the white elite, the black elite likes to publicly flaunt its wealth.

Our third dangerous corner in the South African economy is the undeserved poverty and deprivation allocated in overwhelming measure to the black majority. The deficit of the masses manifests itself in lack of means and basic needs such as food, clothes, shelter, medicine and access to all levels of education.

It is the eyes of the youth that should touch the hearts of the elites. The eyes of the mass of children are sunk deep into their sockets, with 20% of our children now stunted by malnourishment. These are eyes of poor children that cannot “close” but must remain “open” in order to relay a clear message to the wealthy: their numbers have risen to more than 70% of all our children. Indeed, below the StatsSA “upper-bound poverty line” of R992/month (a conservative measure), we find at least 53% of South Africans.

It is true that many adults and children in this third corner receive state subsidies. However, the subsidy system is weakened by numerous deficiencies. The subsidies are not sufficient (just R380/month to raise a child) and many subsidies fall by the wayside in the delivery process.

Black children are the main source of concern. Their living conditions are so contemptible that it should ignite the conscience of both elite groups. What exactly are the two elite groups doing to alleviate the circumstances of the masses?

Twenty years after the Truth Commission, the wealth tax proposal has yet to get sufficient attention. The TRC mooted a wealth tax as one of a set of recommendations in its final report. The ANC government rejected the proposal. Last year, the Davis Tax Commission officially invited proposals for a wealth tax.

The TRC and government’s failure to make a systemic intervention into the structural inequalities of post-colonial and post-apartheid South Africa has resulted in a deepening of poverty and inequity. The rot among the business elites has burst into the open to show the contagious extent of underserved wealth of both the white and black elite.

The November 2017 Credit Suisse Global Wealth Database shows that amongst the 40 largest developed and emerging economies, the top two scores for the Gini Coefficient which measures inequality – where a perfect 1 means 1 person has everything and 99 have nothing – were 0.87 for South Africa followed by 0.86 for the United States (the bottom were Hungary, Japan and Belgium, all below 0.63).

The false distinction being made by some between a corrupt ‘Zupta’ black elite and the wicked ‘White Monopoly Capital’ bloc should cease, and a more explicit commitment made by the entire society to end the rot that pervades big business.

(Terreblanche is Professor Emeritus of Economics at Stellenbosch. On Monday, 29 January his work will be feted at a University of Johannesburg symposium on “Inequality and state capture,” where his book *Lost in Transformation* will be sold.)