



Jack Simons Party School presents

The Freedom Charter “Economic Clauses” and a post-Covid-19 Recovery Programme

COMMEMORATION OF FREEDOM CHARTER

ADOPTED 26 JUNE 1955 – 65 YEARS AGO

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The Freedom Charter “Economic Clauses” and a post-Covid-19 Recovery Programme

Commemoration of Freedom Charter adopted 26 June 1955 – just over 65 years ago;

This commemoration taking place at time of covid-19 health emergency that has unleashed worst economic depression since 1930s;

A moment to reflect on how programme of recovery from covid-19 socio-economic crisis could advance vision of Freedom Charter and SACP SARS programme.

Freedom Charter “Economic Clauses”

Two main “Economic clauses”

“The People Shall Share in the Country’s Wealth! The national wealth of our country, the heritage of all South Africans shall be restored to the people; The mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole; All other industry and trade shall be controlled to assist the well-being of the people; All people shall have equal rights to trade where they choose, to manufacture and enter all trades, crafts and professions”

“The land shall be shared among those who work it! Restrictions on land ownership on a racial basis shall be ended, and all the land re-divided among those who work it, to banish famine and land hunger...”

Also under “There shall be work and security! ...The state shall recognise the right and duty of all to work, and draw full unemployment benefits”

South African Road to Socialism (SARS)

“The NDR is not a “stage” in which capitalism has to be “completed” (or merely “managed according to its own internal logic”). The NDR is a struggle to overcome deep-seated and persisting racialised inequality and poverty in our society...It is a class struggle for the wealth of our country to be shared, as the Freedom Charter declares. It is a struggle to place social needs above private profits” (Chapter 4).

Build Socialism Now. Socialism is a transitional social system between capitalism...and a fully classless communist society. A socialist society has a mixed economy, but one in which the socialised component is dominant and hegemonic...Socialising the economy includes direct empowerment of workers on the shop floor by progressively increasing their control over * the powers of possession...*the powers of economic ownership...[plus] expanding a wide range of social ownership forms, including a predominant and varied public sector...a growing cooperative sector...the active use of social capital...rolling back the capitalist market...transforming the market”

Guiding our approach to the challenges of the moment

- Covid-19 health emergency has propelled us into the worst economic crisis and crisis of social reproduction at any time since 1994 democratic breakthrough. Key question for the moment is how to chart a path of recovery;
- Our point of departure is to approach this issue from the standpoint of the needs and interests of the working class and the poor;
- It is also to find a pathway that links with our vision of “socialism is the future build it now” outlined in SARS and other SACP policy documents;
- This means we cannot contemplate returning to the crisis before the crisis.

The crisis before the Crisis

- Even before lockdown SA economy confronting one of longest periods of stagnation since WW II;
- Recession, unemployment (strict definition) over 30%, slew of retrenchment announcements;
- State capacity, particularly in SOCs, undermined by state capture and corruption;
- A steady march towards austeritisation driven by finance capital, lenders and rating agencies;
- All exacerbating pre-existing triple crises of unemployment, poverty and inequality.

Impact of Covid19

- The health emergency not yet over, yet we know that we face one of the worst economic and social crises ever.
- Covid19 not caused by nature, but by capitalism's destabilisation of humanity's relationship with the natural world. Even bigger threats loom from destructive effect of climate change;
- Immediately global capitalist economy in recession, will be worse than 2008/9 Great Recession and could track 1930s Great Depression.
- SA will experience GDP contraction of at least minus 7%, unemployment already increasing will rise sharply, maybe even doubling;
- Lockdown has shown how overcrowded housing, poor sanitation has created particular vulnerabilities to the disease (shades of Engel's observations about impact of squalor of English working class on spread of disease), plus persistence of apartheid urban space with overcrowded minibuses a key challenge.

What kind of Recovery?

- V shaped recovery – quick return to “normal” after health emergency passes - least likely scenario;
- Not in a situation akin to that after December holidays;
- Michael Roberts: “scarring” meaning damage will persist even after initial cause dissipates. Crisis before crisis was a reality in which many enterprises, smaller in particular, were highly indebted – many won’t survive and jobs lost there will be permanent. Persistence of virus after end of lockdowns will affect behaviour for some time and maybe even long term – e.g. reluctance to wear masks on long flights will likely dampen appetite for long distance travel and tourism for some time; restaurants and big crowd entertainment events likely to see depressed conditions.
- Could also be relatively permanent behaviour changes driven by lockdown – more working from home, more virtual conferencing, more use of e commerce.
- In SA this scarring will impact negatively most heavily on lower skilled service jobs (but also changing character of lower skilled jobs related to e-commerce for instance – ware-housing, deliveries), while sectors that may grow will be less labour absorbing.

Necessity for Ambitious, Active Transformative Recovery Programme

- Absence of “bounce back” requires a deliberate Recovery Programme;
- Not having such a programme will mean a prolonged period of economic stagnation, growing unemployment and deepening crisis of social reproduction;
- Near consensus in alliance about need for such a programme and for construction of a new economy differing from that existing before;
- However many “devils in the details”, meaning class based contestation about many issues in conceptualisation, design, finance and implementation of recovery programme;
- Need therefore to approach issues from a specific class perspective – for us the working class (in its broadest sense – i.e the proletarianized with and without work)

Stimulus Packages after 2008/9 Great Recession

- Partisan bail outs and subsidies for powerful vested capitalist interests - \$ 16,8 trillion bank bailout commitments in US alone, tax cuts for rich, quantitative easing allowing speculative activities based on increasing indebtedness of consumers, retention or introduction of light touch regulation, coupled with imposition of austerity in many countries;
- This choked off the prospect of a recovery leading to “inclusive growth across the world economy”. Instead saw a “spluttering north, a general slowdown in the south and rising levels of debt everywhere” (UNCTAD). Several countries or territories were on the brink of entering recession in 2020 – even before the coronavirus struck, including, Argentina, Brazil, Hong Kong, Germany, Italy, Mexico, Turkey, Japan and the U.K.
- At the one end of the spectrum of an increasing unequal global order, those benefitting from financialised speculation, rentier activity and the proliferation of “winner takes most” markets prospered. According to UNCTAD, “surplus profits” beyond those derivable from “typical” business activities rose from 4% of total global profits in 1995-2000 to 23% in 2009-15. For the Top 100 global companies the share increased from 16 to 40 per cent..

Stimulus Packages cont'd

- At the other end of the spectrum, “too many people in too many places [were] integrated into a world economy that delivers inequitable and unjust outcomes”. Among other things, wage suppression led to a decline in the ratio of income from employment to GDP from the 61,5% recorded in 1980 to 54,5% in 2018 in the developed world, with a similar decline from 52,5% in 1990 to just over 50% in 2018 in the developing world.
- Even “middle-classes”, in both the developing and developed world, found themselves facing increasing economic insecurity.

A Global Green New Deal and other progressive platforms

- Before the onset of the coronavirus crisis, broad front of progressive forces called for GGND and other initiatives. GGND based on:
- Ending austerity through “using fiscal policy to manage demand conditions, and making full employment a central policy goal...monetary expansion should also be used differently, so as to finance public investments which add to inclusive and sustainable outcomes”.
- Enhancing public investment with a strong caring dimension – “This would include major public works programmes for mitigating and adapting to climate change”.
- Raising government revenue – with “a greater reliance on progressive taxes, including on property and other forms of rent income”
- Establishing a new global financial register – to clamp down on tax havens and other forms of base erosion and profit shifting.
- A stronger voice for organised labour – to ensure wages rise in line with productivity as a significant stimulus to demand.
- Taming financial capital – to make “financial institutions ...serve the broader social good”.

GGND ctd

- Significantly increasing multilateral financial resources.
- Reining in corporate rentierism , including through stronger regulation of restrictive business practices, the establishment of a global competition observatory and generally design competition policy to promote distributional objectives.
- Respecting policy space – through removing restrictive provisions in trade and investment agreements to allow the development of appropriate industrial and other policies

Other progressive platforms

Campaigns over Intellectual Property rights vs access to treatment very relevant if and when covid-19 vaccine developed;

“Work: Democratiser, De-commodify, Remediate” relevant as workers demand safe workplaces after lockdown;

Broad front progressive programmes – anti-austerity, anti-neo-liberal.

New Elements after Covid19

- Covid19 revealed huge under-preparedness for a predictable health emergency (in SA, weeks into lock-down, Zweli Mkize is pleading for “unfreezing of nursing posts”!).
- There is also under-preparedness for predictable extreme weather event emergencies.
- Covid19 has highlighted vulnerability to health emergencies created by overcrowding in poor quality housing, inadequate sanitation (harks back to Engel’s observations about how squalor among C19 English working class incubated diseases)
- Building greater resilience to defend against likely health and climate change emergencies must be a priority element of GGND type programmes after covid19.

Customising a GGND & other progressive platforms for South African Conditions

- Advance towards NHI must be a key response to building greater health sector resilience;
- So must improving living conditions – or improving conditions for social reproduction;
- Unevenly – but factually – lockdown in SA has evoked strong solidarity networks, community-based volunteerism, and social “entrepreneurship”, often filling major gaps in state capacity (especially access to food) – need to deepen this state-community based energy in the space of social reproduction, the care economy, etc – especial role for CWP-type roll-out on scale.
- Addressing short term needs through income grants (moving towards a BIG) likely to be something needed for some time;
- But must also need to chart a pathway to economic recovery.

Economic Recovery: The Destination we Want

- Consensus that recovery must lead to a “new economy” that differs from the one that existed previously;
- For us this must be one that is based on higher value added productive activity that breaks the chains of our colonially-defined place in the imperialist division of labour as producer and exporter of primary products (i.e. industrialises and re-industrialises) in such a way that it supports a broad rise in incomes (modest prosperity), higher income and higher quality livelihoods, greater inclusion and is, therefore, able to decisively reverse the current realities of unemployment, poverty and inequality;
- This will require “structural transformation” not “structural reform” as understood in the neo-liberal lexicon (liberalisation of product, labour, capital markets);

Economic Recovery ctd

- It will also require taming financialisation – shifting financial institutions into a role of supporting productive sector transformation – taking forward and giving teeth to Financial Sector accords, inter alia – prescribed assets, etc;
- Globally an emerging discourse of “shortening supply lines” and localising production of medical equipment and critical food supplies– highly partisan and such moments can be a flash in the pan- but a propitious moment to advance our own approaches to localisation.
- Recognise that domestically this could be a moment to enhance working class influence in “social contracting” e.g. capital clearly worried about potential social discontent while alliance as a whole must recognise negative political implications of a long stagnation. Could create opportunities to extract more concessions against incentives e.g. share for government and workers as well as commitments on jobs, performance etc (eg. Possibilities of using Bail Out fund – i.e. public money, for state to acquire shares with dividends flowing into a sovereign wealth fund and/or SPV)
- NCCC with its combination of key ministers and specialist advisory panels has led to some overcoming of silos in government (and ANC factionalism reflected in cabinet appointments). Should we propose a presidentially-led Recovery Command Council?

New “Windows of Opportunity” in covid-19 balance of forces

Building public health capacity – moving to NHI;

Need for state leadership over sustainable recovery programme;

Use of prescribed assets/impact assets;

Some wealth or solidarity tax;

Need to address short term income needs;

“shorten supply lines” and advance localisation.

Experience points to windows being open only briefly, and close when immediate emergency passes. Default is a crisis even worse than the crisis before the crisis.

Principles to underpin a Transformative Recovery Programme

- Must operate at scale. Most previous “growth” or “stimulus” programmes have been too small, too unfocussed and so had little impact. As SACP we do not need to crunch numbers and specify that programme must be Rx trillion. Maybe we should argue that monetary value should be shaped by its impact on key indicators e.g. define that unemployment must be reduced by x by y. If this is not reached, after diagnosis, the resources deployed must be increased;
- Will inevitably increase budget deficit and require resort to unorthodox financing mechanisms
- Must acknowledge that economic growth and reduced unemployment plus additional progressive taxation plus maybe dividends on shares held by government, rather than programme cuts, must be the path to fiscal sustainability;

Principles 2

- Macro-economic policy must become a tool to support “structural transformation” and not something monumentalised as unique and sacrosanct. While not wanting to get stuck over terminology, must recognise that “structural reform” has specific meaning in neo-liberal lexicon;
- We must be open to exploring unorthodox approaches to fiscal and monetary policy;
- Where we resort to borrowing, we must recognise that low interest foreign currency denominated loans may in fact become more expensive than alternatives if the Rand depreciates, and that conditionalities often kick in if we need to “roll over” an initially unconditional loan.

Principles 3.

Must revive financial sector campaign with a view to addressing immediate “consumer” issues (mortgage holidays etc) and systemic issues (taming financialisation);

Must build on community and solidarity response by building a Popular Front for a New Economy;

NCC has led to welcome reduction of silos in government, propose a Presidency-led Sustainable Recovery and Development Council.

A sense of main drivers, sequencing & phases – while requiring all hands on deck

- Too many previous “growth” or “stimulus” programmes were little more than lists of actions required by departments or players across the board;
- They lacked any sense of inter-connectedness or how some could be drivers of others;
- While recovery from the Great Lockdown recession will require purposeful action in many sectors, there must be some sense of potential main driver/s which could vary in different phases. This must be accompanied by some sense of how the driver programme must reinforce actions elsewhere, particularly those that will drive “structural transformation” in later phases;
- The MERG (commissioned by the movement in the 1990s, but then ditched) had some sense of this.

Phase 1 An Infrastructure Build/Public Employment Big Push

- Infrastructure/Public Employment programmes are key elements of New Deal type programmes. They build on levers governments already have and which can be deployed directly. They are often the quickest way to get people into jobs.
- The Covid19 emergency has highlighted the imperative to build more resilience against likely future emergencies. We also need to advance the transition to a lower carbon economy as well as address previously identified economic and social infrastructure backlogs. Covid19 highlighted need to much more decisively address squalid and unsafe environments too many of our people live in.
- Some experience and capacity already built e.g PICC. For all its weaknesses the 2009-14 infrastructure build was counter-cyclical and probably saved SA from following the likes of Brazil into recession after the end of commodity super cycle.
- Infrastructure can support industrialisation through localisation and supplier development.

Phase 1 Infrastructure ctd

- There has been a verbal commitment to massive infrastructure programmes but little action (at least publicly visible until very recently);
- The 6th administration appears to have de-commissioned the PICC and relegated infrastructure to a programme of one department;
- Public employment programmes are an area where some good work was done, but now seem to be lagging and will need to be massified quickly.
- Programmes will need to have a strong anti-corruption element and find ways to circumvent rent seeking tenderpreneurs.
- An infra-structure build is something that can be funded through instruments like prescribed asset requirements.
- A post Covid19 infrastructure build will not operate at scale if it is relegated to a programme of one Department, hence the RCC/PICC proposal.

Phase Two: A Higher Impact Industrial Policy

- A higher value-added productive economy is the essential defining characteristic of the endpoint of the “structural transformation” we would want a recovery programme to drive;
- This does not just mean growing manufacturing in some narrow sense – mineral beneficiation and “smart agriculture” including capturing more of value chains of exported products can both be important elements of this.
- In the past there has been too little prioritisation of Industrial Policy – relegated to a programme of one department instead of something that should shape many other programmes and interventions.
- Unlikely in short term that social compacting or investment commitments will ignite a major recovery (not that this should not be pursued). Productive sectors areas still under control of profit seeking capital, where government tries to steer but does not row. Immediate post-covid19 environment not one where “investment strike” likely to be decisively reversed - even if massive incentives were to be deployed;

Higher Impact Industrial Policy ctd

- However, as infrastructure “big push” has an impact it could create conditions where more bang for buck could be extracted. Localisation could create opportunities for locally based manufacturers that could be leveraged, increased employment will create more consumer demand.
- If AfCFTA can be steered towards “development integration” opportunities for productive sector investment will grow and greater concessions sought for any incentives provided.

Hegemonising Recovery: Can it be a path to building a Socialist Future Now?

- We face a daunting challenge as a country, as a movement and as a Communist Party;
- Capitalism has distorted humanity's relationship with nature to the point of leading us into a global health pandemic (and there may well be more). It also threatens to take us into an even greater calamity with catastrophic climate change;
- Capital looks likely to be somewhat on the backfoot in the economic recession/depression that will unfold. But it is not defeated and the default scenario that will unfold if nothing else is done could well be one seeing widening inequality and growing misery.
- In SA at least there is an historic chance to enhance working class influence over a recovery programme.
- Many of its potential elements could, if implemented, advance the vision of the Freedom Charter and our own vision of building socialism now while also having broad front type appeal.

ENDS