



Bua Komanisi

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Towards an SACP Strategic Perspective Post-Covid-19 Sustainable Recovery and Development Programme

Introduction

The aim of this paper is to assist in taking forward the development of an SACP strategic perspective on issues related to Sustainable Recovery and Development from the systemic trio of the deepening economic crisis, crisis of social reproduction, and the coronavirus (Covid-19) crisis. This paper takes forward the work started in the SACP Draft Working Paper of April 2020, titled 'We can't go back to the crisis before the crisis'¹. Our point of departure is that as a Communist Party we approach these issues from the standpoint of prioritising the interests of the working class and the poor. Our quest is also to find a pathway that links with our vision of 'Socialism is the future: Build it now', outlined in the South African Road to Socialism (Sars), the Party Programme and other SACP policy documents. This means for a start that we cannot contemplate returning to the crisis before the crisis.

1. *Economic Dimensions of the Crisis before the Crisis*

Even before Covid-19 struck, the South African economy was facing one of longest periods of stagnation at any time since World War II (WW II).

- Growth in gross domestic product (GDP) was negative in both the third and fourth quarters of 2019, meaning the economy had entered recession. Most forecasts suggested that even without the effects of the Covid-19 emergency, GDP growth in 2020 would be well below that of the population (1.55 per cent) - meaning that on average incomes were already declining;
- Output in the productive sectors (manufacturing, mining, agriculture) was flat or declining;
- Unemployment in the third quarter of 2019 was recorded at 29.1 per cent on the strict definition, rising to 38 per cent or a population of approximately 10.4 million people on the 'expanded' definition that includes 'discouraged' work-seekers. This was amidst a flurry of announcements of retrenchments and plant closures, meaning that the numbers were set to rise;
- The demands of finance capital, lenders and credit rating agencies on fiscal numbers were taking us on a steady march to austerity, and;
- All of this was exacerbating pre-existing triple crises of unemployment, poverty and inequality.
- 30.4 million people in South Africa, 55.5 per cent of people in the country live in poverty and 24.4 million people, 45.5 per cent are classified as non-poor². From that population, 13.8 million people receive less than R547 (per person) per month, 8.1 million people receive less

¹ [Bua Komanisi \(Vol. 13, No. 1, April 2020\)](#).

² Statistics South Africa (Report No. 03-10-06) Poverty Trends in South Africa: An examination of absolute poverty between 2006 and 2011 (2017).

than R785 (per person) per month, and 8.5 million people receive less than R1 183 (per person) per month (the figures are based on April 2018 prices). 3.6 million households, that is one in five households, are registered as indigent households in the 243 of the 278 municipalities that have indigent policies and registers. The most vulnerable to poverty in our society are children (aged 17 or younger), females, Africans, people living in rural areas, those residing in the Eastern Cape and Limpopo provinces (mostly), and persons with little or no education.

2. *Expected Economic and Social Impact of the Covid-19 Health Emergency*

The Covid-19 health emergency is not something that was caused by nature. Its origins lie in the destabilisation by capitalism of humanity's relationship with the natural world. Habitat destruction caused by the unsustainable development of capitalist agriculture has brought humans into closer contact with virus incubating wild animals, like bats, while factory farming and the routine use of antibiotics has resulted in the emergence of new strains of super-bacteria immune to established treatments. Even bigger threats loom from the destructive effect of capitalism-induced climate change, which if not thwarted will make huge parts of the world uninhabitable and which is, indeed, already confronting many people across the world with emergencies arising from extreme weather events.

Even though the Covid-19 health emergency is not yet over, we know that it will lead to one of the worst economic and social crises ever. Immediately, it will plunge the global capitalist economy into a recession, which will certainly be worse than the 2008/9 Great Recession and

could even track the 1930s Great Depression. It is estimated that South Africa will experience a GDP contraction of not less than minus 6 per cent, while unemployment (on the narrow or strict definition) will nearly double.

The lockdown, moreover, has shown how the conditions of reproduction of the working class and the poor in South Africa have created particular vulnerabilities to Covid-19, building on the already existing state of distress of working class and lower middle class families. Reminiscent of Engel's observations of the way in which squalor in working class communities in nineteenth century England fuelled the spread of diseases like cholera and scarlet fever, in South Africa we have seen how overcrowded housing, poor sanitation and the persistence of apartheid urban geography that forces many working people to undertake long commutes on overcrowded minibus taxis have blunted the implementation of containment measures like hand washing and social distancing.

3. *What kind of Economic Recovery?*

Of the various potential scenarios, the V-shaped recovery – meaning a quick return to 'normal' after the health emergency passes – is the least likely. We are not in a situation akin to the annual shutdown that occurs in the December holidays.

Marxist economist, Michael Roberts, has argued that those anticipating a V-shaped quick recovery (in either the world economy or that of the core capitalist countries) fail to

take account of the widespread 'scarring' or hysteresis inflicted by the Covid-19 emergency. According to Roberts, scarring 'refers to an event in the economy that persists into the future, even after the factors that led to the event have been removed,

meaning damage will persist even after the initial cause dissipates'³.

In the case of South Africa (and many other countries), the crisis before the crisis was a reality in which many enterprises, the smaller in particular, were highly indebted. Many of these will not survive the lockdown notwithstanding the various relief measures instituted by government. This was highlighted by the results of a telephone and online survey conducted by Statistics South Africa (Stats SA). This reported that 55 per cent of responding companies said they did not expect to survive longer than a further 1 – 3 months. Jobs lost in such companies will certainly not be automatically re-created when lockdowns end. In addition, the persistence of the virus after the 're-opening of the economy', will affect customer or consumer behaviour for some time to the detriment of sectors that have been seen as job creation 'low hanging fruit' in the past. For example, the likely introduction of regulations requiring the wearing of masks on aircraft, coupled with the expected increase in the price of air tickets in less crowded flights, will likely have a dampening effect on long distance travel and tourism for some time. Restaurants and big crowd entertainment events are also likely to experience prolonged depressed conditions. On top of this, there could also be relatively permanent behaviour changes driven by experiences in the lockdown. For example, there could be more working from home (and probably also more outsourced, contractual) office work, more virtual conferencing (meaning less hiring of conference venues and caterers), and more use of e-commerce.

In South Africa it is extremely likely that these kinds of scarring will impact most heavily on lower skilled service jobs. Many of the jobs likely to be permanently lost will be in such sectors, and there will likely also be a change

in the character of lower skilled work in service industries as well. The rise of e-commerce, for instance, will displace low skilled workers in retail shops, but absorb some in activities like ware-housing and deliveries. Very likely, though, we should expect that sectors that may grow will be less labour absorbing than those they displace.

All of this means that any market-driven bounce back from the health emergency will fall short even of returning us to the crisis before the crisis – and most particularly in employment and in adequate income to sustain families. That being the case, there is an urgent need for an ambitious state led deliberate Sustainable Recovery and Development Programme – which must necessarily be understood as re-instating, and therefore inclusive of, *reconstruction*⁴ as a key pillar of our post-1994 national development imperative (as later highlighted by way of several references to the problems of inequality, for example, the persisting legacy of apartheid unequal spatial development, the reconstruction of the South African society post-1994 is incomplete). Not implementing such a programme will mean a prolonged period of economic stagnation, growing unemployment and a deepening crisis of social reproduction. In other words, it will mean entering a crisis after the Covid-19 crisis even worse than the crisis before, and with its brunt falling on the working class.

Fortunately, there is now a near consensus in the tri-partite alliance about the need for such a programme as well as for the construction of a new economy differing from that existing before. However, there remain many 'devils in the details' yet to be discovered and which

³ Michael Roberts Blog: Blogging from a Marxist economist
<https://thenextrecession.wordpress.com>

⁴ Reconstitution of our society at large, on a national democratic revolutionary basis and involving systematic elimination of inequality (class, race and gender), unequal development and underdevelopment, to bring all people and areas on a par, underpinned by structural transformation, redress, the development of all and the pursuit of collective prosperity.

could well become the basis of class-based contestation in the future. These could include issues in the conceptualisation, design, finance and implementation of a Sustainable Recovery and Development Programme, in particular in the balance between economic and broader social transformation and development

4. Character of Stimulus Packages implemented after 2008 Great Recession

As governments around the world begin to announce stimulus packages (often with significant monetary values attached), it is useful to unpack what passed as ‘stimulus measures’ after the last major crisis of global capitalism – the Great Recession that began in 2007/8.

Essentially, many of these programmes consisted in the main of highly partisan bail outs and subsidies for powerful vested capitalist interests. They included \$16.8 trillion in bank bailout commitments in the United States (U.S.) alone, tax cuts for the rich, quantitative easing that released liquidity that supported speculative financial activities based on increasing indebtedness of consumers, and the retention or introduction of ‘light touch’ regulation. This was coupled with the imposition of austerity programmes in many countries cutting deeply into many government programmes, including health services to the extent of rendering many of them under-prepared to meet the Covid-19 challenge (Health Minister Cde Zweli Mkhize’s call, some 50 days into the lock-down, for nursing posts to be unfrozen, is a local example of this). And none or few of them included any or adequate social protection dimension to address the impact of the economic crisis on the workers and poor.

According to the United National Conference on Trade and Development (UNCTAD), this combination of partisan bail outs and austerity choked off the prospect of a post-Great Recession recovery leading to ‘inclusive growth across the world economy’. Instead it

dimensions. As the SACP we will approach these issues from a specific class perspective – from the point of departure of the interests of the working class (in its broadest sense – *i.e.* the proletarianised masses both with and without work)

saw a ‘spluttering north, a general slowdown in the south and rising levels of debt everywhere’. 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. South Africa was in a technical recession (two consecutive quarters of economic decline)

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. Again according to the UNCTAD, ‘surplus profits’ beyond those derivable from ‘typical’ business activities rose from 4 per cent of total global profits in 1995 – 2000 to 23 per cent in 2009 – 2015. For the Top 100 global companies the share increased from 16 to 40 per cent.

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 per cent recorded in 1980 to 54.5 per cent in 2018 in the developed world, with a similar decline from 52.5 per cent in 1990 to just over 50 per cent in 2018 in the developing world. Even ‘middle-classes’, in both the developing and developed world, found themselves facing increasing economic insecurity.

5. *Towards a Global Green New Deal and other Progressive Platforms*

Even before the onset of the coronavirus crisis, a broad front of progressive forces across the world was calling for a Global Green New Deal (GGND), based on the following elements:

- 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’. (In our case, all key institutions, including the South African Reserve Bank, should explicitly target employment creation – *maximum sustainable employment* – in their mandates and public accountability. Advancing a comprehensive social security system, inclusive of, as we propose, a minimum income support grant, is a national imperative in the process of achieving full employment as a central policy goal).
- 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. (In our situation which is characterised by high levels of

inequality, a stronger voice for labour should be supported by measures that will build worker control and democratise the workplace. These should include transforming ownership patterns by building and fostering collective worker ownership in the economy, including by means of co-operatives.)

- Taming financial capital – to make ‘financial institutions ...serve the broader social good’.
- 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.

Apart from a broad international front of forces calling for a GGND, there are also other, often intersecting and converging, progressive international broad front campaigns and initiatives to which the Covid-19 pandemic has given greater urgency and impact. They all have a strong heterodox, anti-austerity, anti-neoliberal character. The SACP should engage with these and help to disseminate them and encourage wider South African public discussion and debate – within the Alliance, and more broadly.

In this process the SACP should place emphasis on the connection between the GGND and the necessity of advancing broader social transformation – itself a critical part of a

just transition in the context of the historical conditions obtaining in our country (including the legacy of the colonial and apartheid past). An economy that does not improve the quality of life of the people is both inappropriate and inadequate. In other words, what we need is not merely a new economy but essentially a people's economy, an economy that serves the needs of the people, improves the quality of their lives and systematically emancipates them from exploitation.

In the process of the proposed engagement, the SACP should advance the proposals made in its Draft Working Paper on Covid-19, 'We can't go back to the crisis before the crisis' ([Bua Komanisi, Vol. 13, No. 1, April 2020](#)). The proposals include the necessity for a macro-economic alignment to advance and support the objectives of the second radical phase of the national democratic revolution, our democratic transition. The importance of macro-economic alignment in dealing with the aftermath of the Covid-19 crisis, over and above the crisis before the crisis, cannot be overemphasised. Also included in the proposals is the call for the adoption of strict cross-border capital flow regulations, thus tight management of the capital account, as well as more work to combat illicit capital flows.

Among the relevant campaigns are the huge battle over proprietary rights over any future Covid-19 vaccine and other therapeutic interventions – will these become the common property of humanity at large, or will they be owned by big-Pharma, for-profit monopolies based largely in the US and Switzerland? This campaign for the expansion of the 'commons' is, of course, inherently part of the SACP's campaign for building elements of socialism now.

Another useful initiative launched in the past weeks is 'Work: Democratise, De-commodify, Remediate' (www.democratizingwork.org) signed by over 4 000 leading scholars internationally. Its call includes greater

democratisation of the workplace (a very relevant demand as workers are being marched back into potentially highly risky factories, mines, and schools); and the de-commodification of work, so that what is work, what is essential work, who gets work cannot be left to market forces alone. The platform also calls for the progressive implementation of the universal right to work.

Given the high level of unemployment persistent in South Africa, and the projected increase in unemployment as a result of the deepening interrelated economic and Covid-19 crises, the progressive implementation of the universal right to work should be complemented by a minimum income security guarantee. This should include expanded public works programmes, and the expansion of the community works programmes, community health workers programme and community development workers programme, all incorporating decent work objectives in their design. The minimum income guarantee programme should also incorporate support for the growth of social economy, co-operatives and formalising the informal economy⁵, as well as, as stated, a consideration for the adoption of a minimum income support grant.

⁵ As stated in the Draft SACP Working Paper, 'We can't go back to the crisis before the crisis: Response to coronavirus, economic and social reproduction crisis' (*Bua Komanisi*, Vol. 13, Issue No. 1, April 2020), by formalising the informal economy we do NOT mean inserting or subordinating the informal sector into networks of exploitation by big capital or value chains controlled by domestic formal sector companies or global multinational corporations. Rather, we mean adequate support and developmental protection of the informal sector to thrive, in the form of, among others, formally registered co-operatives and small, medium and micro enterprises, as well as formally recognised forms of self-employment.

6. Customising a GGND and other similar progressive international platforms to the concrete conditions of South Africa after covid-19

The Covid-19 crisis has underscored the urgency of introducing many of the elements called for by proponents of a GGND and similar broad front platforms. It has, however, also highlighted the need to add additional elements and to customise programmes to respond to the concrete conditions confronting us in South Africa, including the necessity to address the social impact of the massive inequality and poverty levels in South Africa.

The Covid-19 emergency has revealed huge under-preparedness in many countries (including South Africa) for what was in fact both a predictable and predicted coronavirus pandemic. This highlights the reality that defending people against deadly disease is not a high priority for global capitalism. It is, indeed, not even a priority for profit making companies involved in the health-care sector itself. Bodies responsible for combating communicable diseases are in almost all countries – even those with significant private health-care sectors – public institutions. This reflects the reality that profit in health-care is made not by acting to prevent disease, but by providing costly curative treatment to higher income patients. Indeed, it is only when communicable diseases spread beyond poor communities and the developing world that capital is interested in directing any resources at them at all – and then to profit by developing a vaccine or supplying scarce equipment.

Covid-19 is the first global coronavirus pandemic, but it probably would not be the last. Nor can we yet claim that potential threat of an even more deadly haemorrhagic pandemic of Ebola has passed. Beyond health emergencies, humanity is also facing the prospect of an increasing number of climate-change related emergencies. As our recent Draft Working Paper has observed, 'As grave as the threat of Covid-19 is to human

civilization, we need to appreciate that it is, in many respects, a forewarning of the even greater threat facing humanity – the imminent danger of irreversible climate change'⁶

We are already experiencing extreme weather events – and these will be part of our reality even if (and this is a huge 'IF') political will is eventually found to contain global warming to below catastrophic levels. Floods and other hydrological events quadrupled between 1980 and 2004 and doubled again between 2004 and 2018. Extreme temperature related events, such as droughts and forest fires, more than doubled between 1980 and 2018⁷. 2019 was the second hottest year on record, with 2016 being the hottest and 2015, 2017 and 2018 making up the rest of the five hottest years on record⁸. 2019 saw some of the most extreme weather in 20 years, with seven million people displaced from their homes by flooding in the first six months of the year⁹. Extreme weather was a factor in 26 of 33 food crises recorded in that year, and main driver in 12 of these¹⁰. Need it be said that the impact of food crises on the working class, the rural and urban poor is dire?

Again, evidence of huge under-preparedness for these emergencies abounds. The case of the bush fires in Australia is just one obvious example. It revealed too few firebreaks and insufficient fire-fighting capacity. Worse were the more under the radar cases of the food crises in some of the poorest countries of the world.

Beyond this, the Covid-19 emergency has highlighted the particular vulnerability to

⁶'We can't go back to the crisis before the crisis', *Bua Komanisi*, Vol. 13 No. 1, April 2020.

⁷ <https://www.sciencedaily.com> 21/3/ 2018

⁸ 'Instrumental Temperature record'

<https://www.wikipedia.com>

⁹ *New York Times* 12/9/2019.

¹⁰ *The Guardian* 17/4/2020.

health emergencies created by overcrowding in poor quality housing, inadequate water access and sanitation (in other words by the appalling conditions of reproduction of South Africa's proletariat).

All of this points to the centrality of building greater resilience to defend against likely health and climate change emergencies as a priority element of GGND type programmes. More specifically, it underscores the imperative to strengthen capacity in public health preventive programmes and for this to drive a more determined and rapid advance towards the National Health Insurance (NHI).

7. Changing balance of Forces and Potential Windows of Opportunity

As was the case with previous crises, the spread of the Covid-19 has created a moment of uncertainty for some elements in the dominant classes reflected in a greater apparent willingness to entertain ideas and proposals outside of the pre-existing dominant ideological paradigm of neo-liberalism.

The bourgeoisie in South Africa, certainly, knows that a prolonged period of depression could provoke growing social discontent to the point even of undermining the conditions for capital accumulation.

Within the Alliance, even the most cautious among us, and indeed among the wider array of progressive professional strata, recognise that such an outcome would be disastrous politically and could undermine the advance of the national democratic revolution.

These factors have created new 'windows of opportunity' for progressive forces to hegemonise processes by advancing proposals that would previously have been rejected out of hand. Among the issues already showing signs of such susceptibility are the following:

- Building public health capacity and advancing more decisively towards the NHI;

Equally, building greater resilience requires more ambitious and determined programmes to transform living conditions – or the conditions for social reproduction – of many of our lower income communities. Unevenly – but factually – the lockdown has evoked strong solidarity networks, community-based volunteerism, and social 'entrepreneurship', often filling major gaps in state capacity (especially access to food). This points to the possibility and necessity to deepen this potential state-community based energy in the space of social reproduction, the care economy, etc. – especially with regard to the roll-out of Community Work type programmes on scale.

- The need for state leadership in a Sustainable Recovery and Development process;
- The use of prescribed asserts; 'impact assets' or developmental investment asset requirements to finance Sustainable Recovery and Development programmes;
- The deployment of some kind of wealth or solidarity tax;
- The addressing of short-term needs through enhancing income grants (and perhaps even moving towards a minimum income support grant (the modalities of which will be contested);
- Adapting an emerging, highly partisan discourse on the need to 'shorten supply lines' of medical equipment and critical food supplies to drive more ambitious and higher impact localisation programmes.

Experience has taught us, however, that such windows tend to remain open only briefly and close quickly when an immediate threat is seen to pass. This suggests the urgent need to advance specific working class perspectives, in

full recognition that the default outcome that will unfold if nothing is done will be the re-creation of financialised capitalism driven by

neo-liberal austerity that will take us to a crisis after the crisis even worse than that before.

8. *Principles to Guide our approach to a Sustainable Recovery and Development Programme*

As indicated earlier, there is a welcome consensus within the Alliance that a pathway requires a substantial state-led Sustainable Recovery and Development Programme and also that this must lead to the emergence of a 'new economy' that differs significantly from the one that existed previously.

For us this must mean an economy 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' that is very different in meaning and substance from 'structural reform' as understood in the neo-liberal lexicon, namely as programmes to '...tackle obstacles to fundamental drivers of growth by liberalising labour, product and service markets...to boost an economy's competitiveness, growth potential and adjustment capacity'¹¹. The issue here is not fundamentally about terminology but about content. The SACP should therefore deepen its campaign and mobilisation of the working class and other progressive forces against neo-liberal notions of 'structural reform', and neo-liberalism as a whole, and advance structural transformation to rid our economy of its colonial features, monopoly, dominance and concentration, systematically building a

people's economy, radically reducing, towards systematically eliminating, the systemic problems of exploitation, inequality, unemployment, poverty and unequal spatial development.

Achieving structural transformation will also depend on taming financialisation – shifting financial institutions into a role of supporting productive sector transformation. Directly, and immediately this must mean taking forward and giving new teeth to our financial sector campaign. This must address immediate 'consumer issues' (like repayment holidays, moratoria on evictions, reducing finance and banking charges) but it must also move into 'structural issues' like revisiting Financial Sector accords and Charter Commitments to advance, *inter alia*, towards developmental investment assets requirements and lending requirements to support structural transformation of the productive economy.

Structural transformation of the financial sector must be aimed at eliminating financial exploitation and making banks and other financial institutions serve the people on developmental grounds. As a process of systemic change, financial sector transformation necessarily requires de-monopolisation, changing the patterns of ownership, and thus fostering co-operative banks and building a developmental state financial sector, as well as democratic control of credit by the state, linked with deepening the struggle to build working class power and hegemony over the state and in other key sites of struggle and significant centres of power. Implementation of the shared Alliance resolution on building a state bank should therefore be seen as one step in the right direction.

¹¹This definition is that of the European Commission, see <https://ec.europa.eu/info/structural-reform>

Building a developmental state financial sector should encompass strengthening and upgrading key development financial institutions (DFIs) to function as fully-fledged sectoral developmental state banks, with provincial, district, and even local articulation. The developmental state banks must be backed by the development of an enabling legislation, adequate state funding, and must enjoy direct access to the financial facilities offered by the South African Reserve Bank, including on preferential terms, to support their developmental mandate. The DFIs that should be transformed into such fully-fledged developmental state banks include but are not limited to the Industrial Development Corporation (IDC), Development Bank of Southern Africa (DBSA) and the Land Bank. Where necessary, consolidation of certain institutions to strengthen capacity and maximise impact should be considered – following a through process of study and consultation.

We need also to recognise that this is a moment of increasing social dialogue and ‘social contracting’. In addition to the issues of the broader strategic shape of a Sustainable Recovery and Developmental path, enhanced working class influence in such processes could also create opportunities to extract more concessions from capital against incentives and bailout funds, for example, shares for government and workers (in addition to commitments on jobs, performance etc.) that along with dividends flows could feed into a sovereign wealth fund and/or a Sustainable Recovery and Development special purpose vehicle (SPV).

The opportunities for building on the community and solidarity responses to the Covid-19 crisis need also to feature prominently in a Sustainable Recovery and Development Programme. The SACP must become involved in building a Popular Front for a New Economy, Caring Society and More Sustainable Environment as an integral part of a process of building a solidarity economy

through social transformation from below. The district level of such a popular front is critical to ensuring that the role of the people in the recovery and development programme is not as mere beneficiaries of state action, but as co-participants in the shaping and implementation of development programmes. The District Development Model designed by government and the deployment of ministers and deputy ministers to oversee the implementation of government programmes in districts need to be complemented by popular district development forums. Party cadres must play an advanced role in the popular district development fronts in promoting the interests of the community, the majority of whom is the working class.

The National Coronavirus Command Council (NCCC), with its combination of key ministers and specialist advisory panels, appears to have led to some overcoming of silos in government. This may suggest that we propose a Presidentially-led Sustainable Recovery and Development Council (SRDC) to co-ordinate and lead a Sustainable Recovery and Development Programme. A proper articulation between the SRDC and the District Development Model and their relationship with District Development Forums will be crucial.

A Sustainable Recovery and Development Programme must operate at scale. A feature of most previous ‘growth’ or ‘stimulus’ programmes has been that they have been too small and too unfocussed, and so have had little real impact. As the SACP we do not need to crunch numbers and specify that programme must be Rx or Ry trillion. Perhaps we should argue, instead, that the monetary value must be shaped by its impact on key indicators, for example, specify that it must lead to a reduction in unemployment by Z per cent by Y year, a reduction of poverty by U per cent by V year, a reduction of inequality by S per cent by T year . If this is not reached, and after a diagnosis of the reasons leads to a conclusion that this is because of ‘resource

constraints', the resources deployed must be increased to take it to scale.

In the meantime, it should be noted that the R500 billion package announced by government on 21 April is largely a relief package, rather than a more active economic turnaround or stimulus package. This should be understood in the context of both the economic stagnation and technical recession that were already in session, and which required a stimulus package, before the Covid-19 crisis which deepened the extent of the pre-existing crisis. The Covid-19 crisis calls for a stimulus that is commensurate with the combination of its extent and the extent of the pre-existing economic and social reproduction crises.

A Sustainable Recovery and Development Programme will inevitably increase the budget deficit and require resort to unorthodox financing mechanisms. The path to fiscal sustainability must be understood as being the achievement of a higher level of more inclusive economic growth, with reduced unemployment plus additional progressive taxation measures and dividends on shares held by government all yielding increased revenue, rather than through contractionary programme cuts. More generally, macro-economic policy must be seen in practice as a tool to support 'structural transformation' and

not something monumentalised as unique and sacrosanct.

This will require much greater openness to exploring unorthodox approaches to fiscal and monetary policy. In particular, a substantial body of research and analysis exists suggesting that ample resources exist in both public and private financial institutions within South Africa and that these can be mobilised to finance Sustainable Recovery and Development through such measures as 'impact assets' requirements and direct government bond purchases by the South African Reserve Bank. These should not be ignored or dismissed out of hand, as has too often been the case with 'unorthodox' proposals in the past.

Where we resort to borrowing (particularly borrowing from foreign financial institutions) this must be a last resort. Moreover, we must recognise that the rate of interest on loans can never be the only factor to be considered. Nominally low interest foreign currency denominated loans may in fact become more expensive than alternatives if the rand depreciates. There also needs to be a thorough appraisal of potential conditionality, recognising that these often kick in if a need arises to 'roll over' an initially 'un-conditional' loan or loan with 'minimal conditionality'.

9. Potential Drivers of a Phased Sustainable Recovery and Development Programme: Phase one an Infrastructure 'Big Push'

A Sustainable Recovery and Development Programme at scale will require purposeful action across the board. Each department, each sector and each 'social partner' will need to define actions that can be pursued in an integrated programme that will require 'all hands on deck'. At the same time, however, we need to recognise that too many of the previous 'growth' or 'stimulus' programmes were little more than wish lists of actions required with little sense of inter-

connectedness or of how some could be drivers of others.

As suggested earlier, Covid-19 will have reduced the potential short-term impact of some previously identified quick wins (*e.g.* tourism) while no doubt having enhanced the potential of others. This will need to be discovered through sectoral processes across the board. Thus, while emerging from the Covid-19 Great Recession and the crisis before will require purposeful action in many sectors,

there must be some sense of potential main driver/s which could vary in different phases – articulating deep-going development. This must be accompanied by some sense of how the driver-programmes must reinforce actions elsewhere, particularly those that build the basis for, and will drive ‘structural transformation’ in later phases. The Macro Economic Research Group report, *Making Democracy Work*, had some sense of this in its recommendations for policies in the initial years after the democratic breakthrough.

Infrastructure programmes linked to Public Employment schemes are key elements of Green New Deal type programmes. They build on levers governments already have and which can be deployed directly and are particularly susceptible to being financed by measures like developmental investment asset requirements. They are often the quickest way to get people into jobs. Infrastructure programmes can also boost industrialisation through localisation requirements for key inputs and through supplier development.

As suggested earlier, the Covid-19 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. The impact of previous infrastructure programmes will need to be reappraised, with the aim of strengthening those programmes and their articulation to avoid silos. Covid-19, moreover, has highlighted the need much more decisively to address the squalid and unsafe environments too many of our people live in.

We already have some experience and built some capacity in this area. For all its weaknesses, the 2009 – 2014 infrastructure build operated counter-cyclically and probably saved South Africa from following the likes of Brazil into recession after the end of commodity super cycle. This programme clearly benefitted from the establishment of a

centralised Presidential Infrastructure Coordinating Council (PICC), while the Infrastructure Development Act passed in 2014 provides a basis for planning and co-ordination that can overcome silos.

The weaknesses of the then existing programmes included a tendency to prioritise headline-grabbing big new projects over maintenance or smaller community-based programmes and an emphasis on economic at the expense of social projects. Nor had such programmes adequately sought to establish potential symbiotic links to public employment programmes, the social solidarity economy, or a potential job guarantee scheme like that operating in other countries, such as India. One of the key lessons from the impact of Covid-19 and strategies required to contain it and prepare for the future, is the need to bridge the digital divide. This requires public broadband infrastructure rollout to build connectivity across the country, coupled with a reduction in the cost of data. In particular, great attention needs to be paid to worst serviced, working class and rural poor communities.

A large scale infrastructure programme that builds on the foundation created earlier, addresses weaknesses like those identified above, and incorporates the needs identified in the Covid-19 emergency which could become the ‘big push’ driver of Sustainable Recovery and Development, catalysing many other, deep-going initiatives – including a higher impact Industrial Policy – and advancing development.

Many verbal commitments to a ‘massive infrastructure programme’ have been made (including in this year’s January 8th Statement) but little action has been visible. The 6th administration, indeed, appears to have de-commissioned the PICC and relegated infrastructure to a programme of one department. Public employment programmes were also an area where some good work was

done, but now seem to be lagging and have potential to be massified quickly.

What is certain is that a post-Covid-19 infrastructure build will not operate at scale, if it is relegated to a programme of one

10. Phase 2: A Higher Impact Industrial Policy

As indicated earlier, a higher value-added productive economy is the essential defining characteristic of the endpoint of the 'structural transformation' we would want a Sustainable Recovery and Development Programme to drive. This does not just mean just growing manufacturing in some narrow sense. Mineral beneficiation (adding more value to mineral commodities) and not exporting 'dirt out of the ground' as well as 'smart agriculture' aiming, *inter alia*, at capturing more of value chains of exported products are both important elements of this. History teaches us that nowhere ever has such a transformation been achieved without active Industrial Policy.

In the past, in South Africa there has been too little prioritisation of Industrial Policy. In practice it was relegated to a programme of one department, the Department of Trade and Industry, instead of something that should shape programmes and interventions across all of government. In addition, the industrial policy instruments such as the Industrial Policy Action Plan were not adequately supported and lacked resources to drive industrialisation.

A post-covid-19 Sustainable Recovery and Development Programme creates an opportunity to take Industrial Policy to a higher level. It is unlikely, however, that in the immediate post-Covid-19 environment, that a major Sustainable Recovery and Development Programme will be ignited by 'social compacting' or investment commitments (not that these should not be pursued). Michael Roberts argues that one result of 'scarring' is that 'It takes a long time for both business and consumers to restore their 'confidence' levels in the economy and change ultra-cautious

department, hence our proposal for both the SRDC and PICC to drive the process. It is, furthermore, clear that all programmes will need to have a strong anti-corruption element and find ways to circumvent rent seeking tenderpreneurs.

investment and spending behaviour.'¹² The productive sectors (at least those sectors recognised in GDP terms as 'productive') of the South African economy are areas still under control of profit-seeking capital, where government tries to steer but is not expected to row. The immediate post-Covid-19 environment is not likely to be one where the 'investment strike' is decisively reversed – even if massive incentives were to be deployed.

However, if and when an infrastructure 'big push' begins to have an impact, it could create conditions where more bang for buck could be extracted from incentives. Localisation could create opportunities for locally based manufacturers that could be leveraged, while increased employment through more ambitious public employment programmes could create more consumer demand. If the African Continental Free Trade Area (AfCFTA) can be steered towards 'development integration' and the emergence of new regional value chains, opportunities for productive sector investment will grow and greater concessions sought for any incentives provided.

¹² Op cit

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BY THE SOUTH AFRICAN COMMUNIST PARTY | SACP

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OFFICE, WEBSITE, SOCIAL & MULTI-MEDIA DIGITAL PLATFORMS

Office: +27 (0) 11 339 3621/2

Website: www.sacp.org.za

Twitter: SACP1921

Facebook Page: South African Communist Party (@SACP1921)