

Statement on the Covid-19 Outbreak In South Africa: The state isn't pulling its weight!

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The anti-viral lockdown is a social-distancing start - but fiscal stinginess and tight monetary policy risk a rebellion born of extreme desperation

The all-out war against the Covid-19 virus which SAFTU supports has just ground to a halt. What we as the masses are being asked to sacrifice, versus what the state is asking South Africa's rich people and corporations to contribute to the cause, is so far out of proportion that it simply will not work. Collectively, while the rich may run to their safe havens and the middle-classes may escape to well-stocked suburban homes, our society as a whole will be defeated. The South African Federation of Trade Unions demands a much different approach, for the sake of our survival.

In this crisis, not only must the society respect health science and promote emergency mutual aid. Also, it is urgent that we shift the discussion to *socialist* strategies of healthcare, social welfare, self-reliant economic interventions, ecologically-sound reindustrialization, the socialisation of the commanding heights, and class solidarity among our country's vast poor and working masses.

The near total lock-down announced from March 26 to April 16 - and probably longer - will be immensely disruptive to our people. We will witness a period of extreme discomfort for poor and working-class South Africans, especially women caregivers responsible for our communities' and households' reproduction, and those who are vulnerable to Covid-19 infection, given the apartheid-health system that seems to get progressively worse.

The state is adding to our people's survival burdens with what public health officials deem a necessary social distancing, with which in principle we agree, so as to limit the spread of the virus in these critical weeks and months. The objective is sound. All of society must respect this, and the working-class people in so many vital sectors who risk their lives servicing our basic needs now, deserve respect and due compensation - instead of being treated as an expendable, outsourced precariat.

However, the tokenistic way in which the state is providing compensation to everyone now teetering on the edge of survival needs an urgent rethinking.

Our calculation based on the President's March 23 speech is that the state and corporations are only willing to commit R12 billion in explicit programme and project funding above and beyond the existing 2020-21 budget, which was itself brutal to our poorest and hardest-working people. The amounts promised are:

- R8 billion for "a tax subsidy of up to R500 per month for the next four months for those private sector employees earning below R6,500" – for only 4 million workers, forgetting that more than 10.5 million are officially unemployed, for which there is nothing;
- R3 bn from the Industrial Development Corporation, R500 mn from the Department of Small Business Development and R200 mn from the Department of Tourism for companies in distress or those making essential contributions to the health sector;
- R1 billion each from the Rupert and Oppenheimer families to help small businesses;
- R150 million into a voluntary Solidarity Fund "to combat the spread of the virus, help us to track the spread, care for those who are ill and support those whose lives are disrupted"; and
- unspecified support from the Unemployment Insurance Fund and Temporary Employee Relief Scheme, for people in formal employment not being paid, and an unspecified "safety net is being developed to support persons in the informal sector."

This is mere tokenism, when a war footing is required. The emergency taxation of the rich and the corporations, and long-overdue clampdown on corporate crime are not mentioned. The long-standing calls for a Basic Income Grant, and for food parcels in this time of crisis, get no attention. But it is the limited nature of the fiscal stimulus on its own terms, that is so shocking. The South African ruling classes' offer of R12 billion (0,23% of GDP) to fight the worst immediate threat our society and economy have faced in living memory is actually trivial. Compare this to what is being offered by countries run by notoriously conservative governments, such as Britain and the U.S.

In the former case, a full 16.3% of GDP was announced last week by Boris Johnson. If we had the equivalent ambition in South Africa, where our vulnerable populations and inequality are far greater than in the UK, our fiscal stimulus would be R830 billion (given SA's 2019 GDP of R5.1 trillion). If we use the coronavirus-denialist Donald Trump as a measure, our fiscal stimulus would be R434 billion. What our Treasury provides the state to address the crises – R12 billion – is heartbreakingly stingy.

Just before the President's speech, Business Day columnist Carol Paton put the challenge squarely: "What must not happen is for the Treasury to revert to its catch-all response: the government does not have money. Finance minister Tito Mboweni must take a red pen to the budget he tabled in February and shift spending into health, welfare and small business support."

He did nothing of the sort. And so in spite of being Africa's representative to the G20, where most of the fiscal stimulus is occurring, the South African government is shaming our population. The world fiscal stimulus is anticipated to be in the range of \$10 trillion, according to Baron's estimates [1]. Yet our government and richest families are apparently not willing to offer even a paltry \$700 million in local fiscal stimulus to the global cause.

In addition, the masses who are in debt now suffer from extremely high interest rates. The economy is screaming in pain from the outflow of financial capital as corporations loot South Africa and similar countries so as to present a "fortress balance sheet," crashing the Rand's value even further. Between \$10-25 billion (R178-R445 billion) in annual illicit financial flows out of South Africa were estimated by official agencies late last year, with the South African Reserve Bank (SARB) and Treasury unable or unwilling to call out the thieves.

Last week we received only a vague commitment from the SARB to loosen its notoriously pro-bank monetary and financial sector policy, with a 1% cut in the Bank Repo Rate to 5.25%. Yet South Africa pays a higher interest rate than all but two of the 50 countries which issue ten-year state bonds (Turkey and Pakistan are currently higher). That is why our poor and working masses urgently need the kind of debtor holidays that will put a pause on our unpayable debts, the way even some of the commercial banks are voluntarily offering their medium-sized business borrowers. Again, President Ramaphosa had *nothing* to offer.

Ramaphosa said in his speech, "The Governor has assured me that the Bank is ready to do 'whatever it takes' to ensure the financial sector operates well during this pandemic." Yet the SARB has not done what it takes to lower interest rates to reasonable levels – for which implementing and tightening exchange controls are a critical step, so as to prevent further capital flight.

The last precedent for such an emergency, requiring tighter exchange controls, was in 1985 when the apartheid system was under attack by our movement's international comrades through financial sanctions (leading to a default on \$13 billion in foreign debt) – but the current outflows and the risk of not having funds to repay the current \$180 billion in foreign debt, together put South Africa in an even riskier situation than then.

Many more criticisms could be offered to show how the state is not pulling its weight. The Institute for Economic Justice issued suggestions on March 23 for much more expansive economic strategies. And SAFTU joined a coalition of civil society groups making explicit demands to address the public health and economic crises. The state's response to most is deafening silence.

The tragic question that must be posed is this: with a massive military and police presence now being prepared to discipline the citizenry, while the Treasury remains stingy with the fiscus and the SARB is still exceedingly tight with monetary policy, doesn't this set the stage for a political catastrophe, like the one that occurred on the platinum belt just seven and a half years ago?

The South African working class is considered the world's third most militant (by the World Economic Forum's 2019-20 *Global Competitiveness Report*). The South African capitalist class is considered the world's third most corrupt (PwC 2020 *Economic Crime Survey*). South African income inequality is the world's worst (according to current World Bank measures).

So what kind of brutal experiment is South Africa expected to witness starting on Thursday – with our people's movements for survival to be challenged by state security at every turn, and our government and private sector tossing out only a few crumbs?

From Friday the mother that used to survive by selling goods in the informal sector will have no income and the current measurers of the government doesn't cover her. The young person who in the spirit of vuk'uzenzele used to cut hair in the corner of the street is being asked to stay at home and earn no income! The waste picker who survives by waking up at 3am to start picking up waste will no longer be able to earn an income. The underclass working scavenging in the dumps are now going to stay at home for three weeks. There are hundreds of thousands of the poorest of the poor who are not going to be catered for by the nonintervention of the government. These workers involved in the survivalist economy, are normally counted as employed and are not even part of the 10.5 million South Africans too discouraged to go search for employment opportunities. South Africa is being asked to risk a revolt led by this layer of the proletariat that the rich has long turned its backs to.

Capitalism has now unveiled all its weaknesses, leading us to the precipice: in the private health sector's removal of half the industry's resources from 85% of the society too poor for medical aids; in

worsening inequality; in the economic vulnerabilities South Africa and rest of the continent face in global commodity markets and by importing products that we used to make here in South Africa; in the ghastly way our agricultural and ecological crises now intermingle; in the amplification of inherited patriarchy and racism; and in the pollution 'externalities' that continue, especially with greenhouse gas emissions that threaten our species and many others this century.

It is exceptionally frustrating that the capitalists' media control plus State Capture of substantial areas of vital service delivery through corrupt outsourcing arrangements, prevent genuine debate about socialist solutions. We should be the first to demand the roll-back of profit and property privileges when so much of South African capitalism proved unable to reform from its apartheid upbringing over the past three decades. Even in the most reactionary societies, like the United States, men like Donald Trump are forced into acknowledging that industries that are on the verge of closure require *state ownership* to revive. A proper debate about the need for new ownership relations is required to genuinely defeat the virus and all the other socio-economic and ecological crises our world now faces.

Since the end of apartheid, we have suffered numerous crises and, through intense struggles waged from civil society, identified socialist solutions: by ignoring Big Pharma's murderous Intellectual Property on AIDS medicines and ensuring public-sector treatment rollout, thus raising life expectancy from 52 in 2005 to 65 today; by winning free tertiary education for 90% of students and insourcing low-paid university workers; by rolling back multinational corporate water and electricity privatisation to gain even a modicum of Free Basic Services; and even by liberating our Gauteng roads from an Austrian firm's toll gantries. South Africans are genuinely socialist at heart because we fought so long and hard against racism, sexism, environmental destruction and economic injustice, using the principle of Ubuntu: we are who we are through each other.

The period ahead will not dampen these yearnings and our spirit of mutual aid.

However, unless there is an urgent, radical rethink of fiscal and monetary policy, and unless socialist strategies are up for discussion – and implementation – among all of us, *this militarist lockdown mitigated only by tokenistic state handouts cannot end well.*

South African Federation of Trade Unions (SAFTU)

P.S.

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Footnotes

- [1] <https://www.barrons.com/articles/stimulus-plans-to-battle-coronavirus-could-cost-the-world-10>

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