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NEVA MAKGETLA: The budget of capitulation

Tito Mboweni has risked promoting social conflict, dragging down economic growth and ultimately threatening democracy itself

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by NEVA MAKGETLA

Minister of Finance Tito Mboweni delivers his 2021 budget speech in parliament in Cape Town. File photo: SUNDAY TIMES/ESA ALEXANDER

The budget in effect upends 25 years of using government spending as a core tool for redistribution. It cuts basic services for the poor, most obviously by shrinking education, housing and social grants, while lowering income taxes for the rich. And it isn't even good at promoting economic recovery. True, it prioritises vaccines and increased public investment, but cutting spending in real terms is unambiguously procyclical.

A true reconstruction budget would promote programmes that address SA's profound inequality, which continues to stymie growth and stoke vicious social divisions, corruption and crime. The main drivers of inequality are persistently poor education in working-class communities; disparities in asset ownership, especially small businesses; deeply inequitable work organisation; and the legacy of apartheid spatial restrictions that leaves most poor households far from economic opportunities. These ills all contribute to extraordinarily high joblessness as well as unequal incomes.

The peculiarities of 2020's pandemic budget means it is better to evaluate changes from 2019/2020. After inflation, total government spending will be down 3% from two years ago, or 6% a person. In this context, programmes that are central to equality fare badly. To start with, spending on education will be 1% lower in real terms than it was two years ago, falling 4% a pupil. The cuts derive from a 5% fall in transfers to provinces, which provide two-thirds of all educational spending. National education budgets are up, but go almost entirely for universities, nutrition and buildings, not learning materials or teacher salaries.

Of course, even in more prosperous times, the education departments did far too little to address the inequalities entrenched under apartheid. As a result, SA's educational outcomes lag peer economies by far despite similar expenditure levels. The budget cuts will make things worse, since only schools in well-off suburbs will be able to offset them with higher fees.

The programmes that aim to build up an asset base for the majority — mostly small business support, housing and land reform — have long been too small and mostly poorly designed. The budget for the small business department comes to just 0.12% of total state spending, but at least it grows 6% in real terms over 2019/2020. In contrast, the housing and land programmes, which together make up 2,2% of government spending, both face swingeing cuts. Housing shrinks 12% from 2019/2020, and land reform 15%.

Proposals to cut public servants' pay by 3% in real terms compared with 2019/2020 point to the broader indifference to workplace transformation as the basis for more equitable pay. According to Stats SA's labour-market surveys, in 2019 public servants earned virtually the same as other formal workers with the same education levels. But a quarter of public servants have university degrees, mostly in education or nursing, compared with 10% of the private formal workforce. Cutting their pay risks demoralisation and loss of skills, and narrows a critical route into the middle class, particularly for black women.

Social grant cuts aggravate the pressure on pay for lower-level workers. Eliminating the Covid-19 special grant, which supported 6-million destitute individuals, reduces social protection by a quarter compared to 2020. Of the other grants, only the child support grant keeps up with inflation, but it still equals just two thirds of the poverty line for a single person. New public employment schemes provide R11bn to employ half a million beneficiaries.

Ultimately, this budget represents capitulation in the face of SA's biggest crisis since 1994. The risk is that, like Latin America, SA ends up in an inequality trap. In that bleak future, the failure to address economic divisions vigorously would further deepen policy contestation and social conflict, dragging down economic growth and ultimately threatening democracy itself.

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Thinus Marais

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If the anc was

booted out, and replaced by competent and honest people to run this country, there would be enough money to go around, economic growth would soar, and fewer people would need grants, as they could actually find work. A whole country is being held hostage by a handful of greedy incompetents.

4 | • Reply • Sh

None None
• 2 months ago

25% of public sector workers have degrees versus 10% of private sector workers....no wonder this government is so wrong at almost everything...., when they have researchers of this calibre. No mention of productivity.....

1 | • Reply • Sh

Geoff