Shawn Hattingh
The 2012 budget: by the ruling class for the ruling class
March 2, 2012

Retrieved on 4th August 2021 from anarkismo.net

theanarchistlibrary.org

The 2012 budget: by the ruling class for the ruling class

Shawn Hattingh

March 2, 2012

Contents

Malatesta, E. 1995. *The Anarchist Revolution: Polemical Articles 1924–1931*. Freedom Press: United Kingdom, pp. 113

Berkman, A. 1989. *What is Communist Anarchism.* Phoenix Press: Britain, pp. 25–26

B. Naidu& S. Pliso, 21 Feb 2010, "How Malema made his Millions," *Sunday Times*

It is essential that workers and the poor win reforms in the here and now. These struggles for immediate gains should be used to try and improve people's lives, build confidence, build working class pride, and strengthen working class organisations. Ultimately, the battle to win reforms has to, however, be turned into a revolutionary counter-power that can eventually fundamentally challenge the state and capitalist system. Basic goals – human dignity, jobs for all, meaningful work, decent education, an end to the township system and to cheap labour, especially oppressed black labour – must be attained. But they cannot be fully won in the current system.

Every gain matters, but if everyone is to have a decent house, electricity, water, healthcare, good community facilities, and real control over their lives, then the state and capitalism have to be ended, as these systems exist to dominate, oppress and exploit people. The companies delivering services, like housing, water and electricity, need to become the collective property of everyone and run along the lines of workers' self-management. Only in a world where there are no states and capitalism, no bosses and politicians, and no hierarchies will it be possible to democratically run communities and the economy — via assemblies and councils — so that all wealth could be socialised and the needs of all met. The importance of the struggle to transform the fight for reforms into a revolutionary movement cannot be under-estimated. Without it, the cycle of state budgets being designed by the ruling class for the ruling class, with workers and the poor getting the crumbs, will not be broken.

M. Merten, 11 Feb 2012, "'Mine Nationalisation not ANC policy," *IOLNews*, www.iol.co.za

R. Vollgraaff, 30 October 2011, "Gordhan Leaves Little Room for Manouvering," *Sunday Times*

Kropotkin, P. 1996. *Evolution and the Environment.* Black Rose Books: United States pp. 98

Once again much media fanfare has broken out in aftermath of the South African state's budget speech. The budget, however, is yet more proof of the ANC's ruling class agenda: free markets, budget cuts for the poor and subsidies for the rich. From the budget and other utterances it is clear the ANC has, despite media hysteria, no interest in nationalisation. The state will, therefore, try and deal with the global economic crisis largely through business-as-usual.

The business media, however, has fallen all over itself with the news, from the budget, that the state will be spending billions of Rands on infrastructure and the development of 'Special Economic Zones', supposedly to create employment and help the poor to find a job. Much too has been made of the state spending over 50% of the budget on social services. Messages, from the state and the private media, and from the party leaders of the SACP and ANC, have been about how the budget is intended to help the poor and drive job creation. The Minister of Finance, Pravin Gordhan, has been presented as giving hope to the dispossessed, and as giving a helping hand to the most marginal sections of society through the budget. Since, however, the budget does nothing to remove the causes of poverty, the welfare part of the budget is in reality about providing tiny grants and propping up crumbling state hospitals and township schools.

Massive unemployment too is not being effectively dealt with by the policies of the ruling class, including the budget. Poverty continues to climb, and consequently township protests are spreading. The state is, and has been, forced into a situation whereby it has to provide some welfare because of current and historical struggles and discontent. Having caused the problem – more suffering – the state and corporate elites have to provide a partial solution – more welfare. This then is what is being presented as pro-poor by the media and politicians.

Do states really exist to help the poor?

States, including the post-apartheid state, have never undertaken actions that are purely aimed at assisting workers and the poor; unless they have been forced to through class struggle. As such, activists including SACP and Cosatu members, make a fundamental mistake when they believe that the state can be used to further the interests of the working class. When one examines the historical role of all states, it becomes evident that they are not entities that are controlled by or for the benefit of all; they are a rather central pillars of ruling class power: and the ruling class is comprised of state managers and capitalists. As a consequence, they are structured purposefully in a hierarchical manner in order to carry out their main function of protecting and furthering the interests of the ruling classes.

They are, therefore, a defender of the class system and a centralised body that necessarily concentrates power in the hands of the elite. This is so even under a Parliamentary system like South Africa: an elite few – including Pravin Gordhan — make decisions, instruct others what to do, and enforce those instructions through the state

The anarchist Peter Kropotkin long ago pointed out the state is the ultimate protector of the privileges of the ruling class. Through its executive, legislative, judiciary and policing arms the state always protects the minority ownership of property (whether private or state-owned property), and tries to squash any threat posed to the continuing exploitation and oppression of the working class. All states everywhere have also always intervened in the economy in favour of the ruling class. As noted by Kropotkin:

> "the state has always interfered in the economic life in favour of the capitalist exploiter. It has always granted protection in robbery, given aid and support for further enrichment. And it could not

Premier's Department – which produces nothing tangible – has a budget which is a full third of the size of the Province's housing budget. Thus, the ruling class try to reap the benefits from the state providing welfare and social services, whether through high salaries, contracts or kickbacks. The system creates the working class poor, and then, when the masses win some welfare, even this is corrupted by the ruling class, and used for its own benefit.

Conclusion

The reality is that the working class in South Africa directly contributes most of the resources that make up the budget through paying VAT, sin taxes, and taxes on petrol. Added to this, workers produce all the wealth in society. This means even the taxes of corporations that go towards the state's budget are derived via extracting surplus value from workers. Without workers, machines could not be built or run; services could not be delivered; and profits could not be extracted by bosses. In the light of this, the working class should be furious that their wealth is being taken from them, not only at the point of production but through state taxes, and it is being used via the budget to once again benefit the ruling class.

It is also in the light of the fact that the working class produces all of the wealth in society, that workers and the poor should not see welfare provisions in the 2012 budget as a favour, a gift or charity; but a right. Indeed, workers and the poor should be mobilising to demand greater welfare and better services from the state. They should be demanding that the resources available in the state's budgets for social services are expanded and expanded. The state and capitalists have stolen from the workers and the poor, via exploitation and taxes, and demands should be made on these thieves.

food. Failure rates for black township youth remain as high as under apartheid; state education for the working class is a disaster that no amount of tinkering with school curricula can hide.

The aim, therefore, of the South African state appears to be to hand out just enough to stop people from fundamentally questioning the imbalances and inequalities that define the country. The black working class continues to be heavily oppressed and exploited, with the vast majority of township residents living in abject poverty, but the state tries to pretend that it serves this section of the population by highlighting the social services it provides; when in reality this programme is extremely limited. The gap between the elite – including both black and white – and the working class – including both black and white – has continued to grow. In fact, South Africa is statistically the most unequal society on earth and it is no accident that at the current levels of spending on social services and welfare has not dented this.

Much of the money spent on social services by the state is also siphoned off by state managers and private contractors and consultants. The growing privatisation of social services and welfare in South Africa has opened the door to further corruption. Those who present themselves as champions of the poor, like Julius Malema, make much of their millions through crooked contracts given to private service providers, which includes private service providers to hospitals and state housing programmes. Indeed, the state tends not to build houses directly but rather mostly outsources this work to such private companies. To maximise profits, these companies use the cheapest possible material and they build each unit in the fastest possible time. The result is that tiny houses are built, which often collapse after a few years. Because the welfare system in South Africa and globally operates within the confines of capitalism and the state, the ruling elite try to milk the system. In the Western Cape, for example, the

be otherwise. To do so was one of the functions – the chief mission – of the state."

The budget is an intervention for the ruling class

The budget is a perfect reflection of how the state intervenes in favour of the ruling class. 50% of the 2012 budget goes directly to purposes such as the police, the army and subsidies to capitalists, such as infrastructure expansion. The other 50%, portrayed as welfare, is a mixture of spending on state facilities (like schools, hospitals, universities), meager welfare grants, and payment to state staff. Some of those payments go to state workers (ranging form teachers to street cleaners), but while these workers have low wages (as the 2007 and 2010 strikes show), the salaries for senior managers will remain as high as possible.

The South African state's 2012 budget, far from being pro-poor, therefore rather provides some insight into how states intervene in the economy and society for the benefit of the rich and powerful. While the South African state and media claim that the proposed massive infrastructure development outlined in the 2012 budget is primarily about creating employment opportunities, the reality is somewhat different. Certainly, some jobs will be created by the infrastructure maintenance and expansion projects discussed in the budget, which involves the state spending R 3.2 trillion over the next few years, but the basic aim is improve roads, railways and ports. Private companies will be contracted to deliver this. Jobs in these companies will be limited and exploitative, and in many cases, short-term. Once completed, giant corporations that are involved in the export industry will be the real beneficiaries. By having access to more efficient roads, railways, ports, and cheap electricity their profits will be increased. Pravin Gordhan in parts of his budget

speech was quite explicit about this: ”improvements are being made to economic infrastructure such as ports, roads and electricity generation to cater for the needs of business”.

On the whole, therefore, the infrastructure development is aimed at making the South African capitalist economy more efficient; to the benefit of state companies (like ESKOM), local private companies (like Murray and Roberts), and their multinational corporate allies. The country will be exporting raw materials and some finished goods, yet massive backlogs in basic needs will remain, including appalling township conditions.

The main goal, therefore, is not to provide infrastructure or services for the working class; but rather infrastructure to aid capitalist corporations increase their profits. The much touted job creation that is to supposedly accompany these infrastructure projects, therefore, is not the primary objective of the Ministry of Finance's planners. The goal is rather to increase the power and profits of a section of the ruling class.

The companies that stand to benefit from the infrastructure projects will naturally be seeking to maximise profits. To do so, they will try and employ as few workers as possible, pay workers as little as possible, and work them as hard as possible. This means employing people will also not be the primary objective of the private companies associated with the planned infrastructure developments. They will, in fact, want to employ as few people as possible to extract as much profit as possible.

The bias of the budget towards the ruling class can also be seen in the plans to create “Special Economic Zones”. “Special Economic Zones” are a euphemism for export processing zones (EPZs). Across the world, EPZs have been advantageous to corporations. Corporations that invest in them have received huge tax breaks and have been exempted from labour laws. Naturally, this has had a detrimental effect on the workers in these EPZs. By design they have no legal rights, they usually can't form trade unions and can be fired at will. The South African state's 2012 budget too reveals how favorable local “Special

is a relative over-supply of luxury items for the few; and an relative under-supply of basic necessities for the majority.

Under pressure, states provide some welfare, but they cannot end the system that generates the need for welfare. Welfare provision in South Africa as elsewhere is a victory for the working class as well as a sign of the exploitation and domination waged on the working class. States always, however, try to make propaganda mileage out of the fact that they provide welfare, yet they are part of the system that leads to the need for welfare. When states deliver welfare they claim to be acting as the servants of the poor and workers; while in reality they facilitate their exploitation and oppression. It is this duplicity that led Malatesta to argue that the state:

“cannot maintain itself for long without hiding its true nature behind a pretence of general usefulness; it cannot impose respect for the lives of the privileged people if it does not appear to demand respect for human life, it cannot impose acceptance of the privileges of the few if it does not pretend to be the guardian of the rights of all”. Forced to provide some basic security, the state then pretends to do so out of kindness. Via its policies, including the 2012 budget, the South African state is attacking workers and the poor; whilst handing out some welfare so that it can claim to be their defender.

While making mileage out of social service and welfare spending, the reality is that the South African state hands out the bare minimum. In the 2012 budget, child grants were set at an abysmal R 280 a month; while pensions were set at just over R 1 000. This is well below the poverty line in South Africa. Likewise, although the budget for education and healthcare looks large; when it is broken down to the level of how much will be spent on each student or patient, it is a pittance. South Africa's state run hospitals and schools remain drastically under resourced. In some schools the pupil to teacher ratio is well over 50:1; while in many hospitals patients have to sleep on the floor, bring their own bedding or provide their own

its can be increased. The Russian anarchist Alexander Berkman highlighted this:

> "Capitalism is not interested in the welfare of the people. Capitalism, as I have shown before, is interested only in profits. By employing less people and working them long hours larger profits can be made than by giving work to more people at shorter hours…the harder and more 'efficiently' you work and the longer hours you stay at it, the better for your employer and the greater his profits. You can therefore see that capitalism is not interested in employing all those who want and are able to work. On the contrary: a minimum of 'hands' and a maximum of effort is the principle and the profit of the capitalist system."

In times of crisis, unemployment also escalates. This can be seen by the fact that over 1 million people have lost their jobs in South Africa over the last few years. This stems from the fact that one of the few ways individual capitalists can try and get out of a crisis is by hiring fewer people to try and increase their profits – spiking unemployment during recessions.

The system too does not generate work that is useful, or to satisfy people's needs, but employs people only when useful to the ruling class masters. Because capitalism is aimed at maximizing profit, production itself under capitalism is also skewed towards producing products for those who have money. Thus, luxury products are produced for the rich, who have money; while the basics needed by the working class such as housing, public hospitals and public transport are, in fact, relatively under-produced. The reason for this is that providing products directly for the working class tends not to be that profitable, as this class has few resources. Therefore, under capitalism there

Economic Zones" (SEZs) will be to investors. For instance, the 2012 budget stated that "tax relief is under consideration for businesses that invest in these zones, including a reduction in the corporate income tax rate".

Tax relief for large corporations has been a major theme of the South African state's policies since the ANC got into power. In 1994 the tax rate for corporations in South Africa was 48%. This has since been lowered by the state to 28%, ensuring greater profitability. Tax rates on high income earners have fallen, and the tax burden has been shifted to the 'middle class' (through income taxes and rates) and the working class (through Value Added Tax – VAT, toll gates, sin taxes and petrol taxes). This policy of shifting the tax burden to the working class has continued in the 2012 budget. While taxes, such as road tolls, sin taxes and petrol levies have been increased; secondary taxes on corporations — specifically those levied on the dividends payments — have been scrapped and replaced with a withholding tax. In addition, pension funds, which in the context of South Africa are giant companies that are involved in speculation, will also be exempt from tax on the dividends they receive. While tax breaks have also been promised to investors in SEZs, VAT – which is a tax mainly directed at workers and the unemployed – remains at 14%. It is, therefore, clear that the tax provisions in the 2012 budget are once again skewed in favour of corporations.

The state also revealed in the 2012 budget that it believed further electricity tariff hikes were needed: this on the back of massive price increases over the last few years. Considering that most large corporations have always got electricity at far lower rates than individual consumers, and suburbs at lower rates in turn than townships, rises in electricity prices will be mainly directed at the working class.

Parts of the budget too make it explicit why the state wants higher electricity prices. Gordhan said higher prices were needed so that ESKOM, which has been expanding its ca-

pacity for the benefit of its corporate clients, can repay its debts. Higher prices for power also serve to attract private investment into power, a long-term state goal, dating to 1987. Gordhan, when discussing the electricity sector more broadly, noted that 'independent power producers' (IPPs) had been successfully tendered to provide 1 200 mw of electricity in the country. No doubt the state's push for price hikes was also about furthering the profits of these corporate IPPs.

The manner in which states intervene in the economy for the benefit of corporations is also evident in the plans announced for the financial sector in the 2012 budget. It was outlined in the budget that "cross-border investments in and out of South Africa" would soon be simplified. Meaning, the state will be making it easier for corporate investors to move money in and out of South Africa. Linked to this, such measures would also make it easier for South African-linked corporations to invest in other African countries. In fact, the 2012 budget commits the state to help both private and state-owned South African-linked companies expand further into Africa.

The reason why South African-linked companies like investing in other African countries is because labour is extremely cheap, environmental laws are lax, local states tend to assist investors in carrying out abuses and exploitation, and profit from privatization is obvious. The South African state is, therefore, not only willing to facilitate the exploitation of workers in this country; but across Africa. Unable to break into Asian and European markets, the South African ruling class will rely on its key position in Africa, especially southern Africa, to try and expand its wealth, investment and export opportunities.

It is clear many of the provisions in the 2012 budget are aimed at assisting corporations and are riddled with neo-liberalism. As such, the South African state's budget has been developed by a section of the ruling class for the ruling class.

But what about the welfare provided by the state?

Over 50% of the R 1 trillion that the state plans to spend in 2012, as noted in the press, will be directed to social services and welfare. This includes providing resources for housing, child grants, pensions, healthcare and education. Of course, the more money that goes to the working class, the better. If it was not for ongoing township protests, welfare would probably be far lower. The fact that the state is providing some welfare should, however, not be seen as evidence the state acts from good intentions to the mass of the people. Rather, capitalism creates the need for welfare. In exploiting and oppressing people, capitalism will always generate and maintain a situation whereby some people have very little. When those people resist, they sometimes win some welfare.

The reason why capitalism creates the need for welfare is because an elite minority of people (state managers and capitalists) under capitalism have a monopoly over the means of production, through property rights that the state enforces. This leads to a majority of people being dispossessed. As Errico Malatesta argued:

> "property allows its owners to live from the work of others and therefore depends on the existence of a class of the disinherited and dispossessed forced to sell their labour to the property owners for a wage below its real value."

Unemployment too is part and parcel of capitalism; and thus again this creates the need for some welfare. Due to the fact that capitalists want to maximise profits, they attempt to hire as few people as possible to bring down costs. They also mechanise production to ensure fewer workers are required and prof-