

Ending Economic Apartheid

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The end of Political Apartheid is ultimately meaningless without the end of Economic Apartheid.

The next stage of South Africa's national development, for the sake of its social stability, must be the end of Economic Apartheid. And like the first stage, it would be best if this were done peacefully, graciously, and gracefully. This is the hard and real work now: genuine, and deep, economic transformation.

There is enough wealth in South Africa to enable each citizen a life of reasonable material sufficiency. The problem is not insufficient growth but insufficient balance in the generation and distribution of wealth. And this insufficient balance can be corrected by correcting the functioning of the monetary system, and changing on whose behalf it primarily functions.

The fundamental economic principle underlying the South African Freedom Charter is the belief that basic national resources and economic infrastructures belong in the Commons and therefore to all citizens equitably. Citizens therefore have not only political rights but also charter-guaranteed economic rights.

In the currently prevailing system however, poor and indigent citizens have constitutionally guaranteed political rights but no effectively protected economic rights.

Without an income, you are an economic nobody. Some would even call you a nuisance, or at least a social burden. Most people who have no job, therefore, are not economic citizens in their own country, even though they have constitutionally protected political rights that can be more or less effectively guaranteed through the judicial system.

Of what material use are Political Rights without Economic Rights?

What useful benefit is there to Political Citizenship without fully-fledged Economic Citizenship?

In this contemporary world, as we have all found out, a few to our pleasure and most to our pain, money is the foundation of Economic Citizenship and both the guarantor and protector of Economic Rights. This is why most people spend most of their lives anxiously chasing money, working hard at frustrating tasks which bring them little fulfillment other than a cheque to take home.

We have to have money because we cannot do without it. It is like the air we breathe. But money, today, is sold as a commodity for private profit. When we sell money, we call it a loan, and we call our profit interest.

Yet money in its real nature is a social covenant. It is a public instrument for public benefit. It is a Commons, like air.

If a group of people all agree to accept something, and it could be anything, in return for their goods and services in trade, then that something will function in that group as money.

State Money, therefore, is an implicit agreement among all the citizens and residents in a state, binding them to accept it in trade as payment for their goods and services.

Today, most national money originates in a conceptually very simple process. The private banking system creates the money, most of it out of nothing, as a loan to be repaid with interest according to a set schedule. So: most money is introduced into circulation by those whom the banking industry considers to be creditworthy borrowers. You must already have money in order to get money easily. Those who most desperately need money cannot so easily get it as a loan from a bank. They have to work for those who can borrow in copious quantities, or beg for it in one way or another, or steal it in one way or another.

Money, today, is mostly debt created by the banking industry for its profit. The banks are not required to have all the money they loan. They simply make it up out of nothing as they need to, subject to the reserve requirement stipulated by the Reserve Bank.

Ultimately, the credibility and acceptability of this money rests on the productivity and tax-paying ability of the people of South Africa. They give the money its strength and purchasing power, but they do not profit en masse from the interest that the loans underlying this money bring.

Moreover, this interest is not created at the time this loan is created and must be “siphoned” off from money already in circulation leading to chronic shortages of money, thus necessitating new loans to cover for the chronic shortages. This spiral of new loan creation is one of the root causes of systemic inflation.

When money is created as debt, the money supply must grow ever faster for its own reasons independently of its links to production. In order not to completely sever the link to production which would cause hyper-inflation, the intrinsically inflationary character of interest-bearing debt-based money is managed by driving production rates up ever faster and faster. We call this manic drive “growth,” or “progress.” Its main symptoms are morally corrosive materialism, consumerism, and militarism.

This system is a truly magical and wonderful system if you are rich, and more so the richer you are. All you have to do is sit back and let your money grow like weeds through the mechanism of compound interest.

The problem is relatively very few of us can become rich in this system in spite of its

false promise that everyone can get rich if you only work hard enough or are clever enough. Most who try, fail. They have to fail for the system to work, given its structure. It needs mostly workers who cannot liberate themselves from wages. Such a system needs widespread systemic poverty in order to function “properly.”

Why is it better to loan money into circulation at interest for private profit, money which mostly comes from nothing in any case, than to grant that money into circulation without interest as a matter of public policy for broad based socio-economic development?

If private profiteers, acting in the name of the state, can create money out of nothing and loan it into circulation to gain interest, why cannot the state itself create its own money out of nothing, in its full name and authority, and simply give it to its citizens interest-free to pursue good works?

State Money is something that should be owned by all citizens and provided freely, on the behalf of all citizens, without attached interest at the moment of its creation or at the point of its origination.

The State should grant money into circulation for public-spirited social development and social well-being projects. This granting authority will be the greatest power of the state and should be carefully monitored and managed by society.

This is the only realistic way to finance the economic principles of the Freedom Charter.

Right now, the South African Reserve Bank acts as the policy coordinator and process overseer of the private for-profit banking and finance industry. It is itself a private institution, though answerable to Parliament in some sense. Nevertheless, it is supposed to be “independent” because monetary policy should be “above politics.” What is interesting is that the Reserve Bank is not “independent” in any meaningful sense. It is dependent on the national and global banking industry and transnational financial institutions and markets. It is only weakly answerable to Parliament and to the people of South Africa in whose name it acts. I doubt parliamentary pressure could over-rule the influence of global finance on the monetary policies of the Reserve Bank. Interest rate movements, for example, are far more influenced by global capital flow dynamics than the real needs of the people of South Africa. Why is it, for another example, that interest rates can be raised, to check inflation we are told, yet the real purchasing power of the rand continues to decline systematically? Citizens, in essence, have to pay more for their loans which buy them less and less. No wonder citizens feel under chronic financial pressure.

The South African Reserve Bank’s nature and role should be changed radically to make it much more powerful than it currently is. This is the first step to a revolution of the economy to actualize the Freedom Charter.

The South African Reserve Bank should be nationalised to become a public organ of the State so that it can become fully answerable to the people through parliament. It should

be owned by all citizens. It should not be an agent of global finance. It should be the first sentry of developmental sovereignty.

The Reserve Bank should most definitely not be “independent.” Nor should it answer to the banking and finance industry. It should be made dependent on the human aims of the ordinary people of South Africa.

The Reserve Bank should create State Money as a State Monopoly.

After financing its constitutional operations, the state should first grant money to citizens as basic income sufficient to provide them the necessities of life, then to communities and civil society for broad-based social benefit activities.

Citizenship Grants should provide the first level of demand generation to propel the operation of a humane needs-based micro-economy. Community Development Grants and Civil Society Grants should provide the second level of demand generation. And the third level is provided by carefully targeted large-scale grants to public enterprises and contractors, large and small, for national infrastructure projects for developmental objectives subject to popular scrutiny. Among these grants, for example, should be social investments in supporting indigenous culture, in providing the comprehensive wellness and nurturance of children, in bolstering the foundational role of women in society, in compensating the unpaid work that makes our world function (such as parenting, caregiving, volunteering, etc.), in universal preventative and therapeutic healthcare (including mental health), universal housing and community development, free lifelong education and vocational training for all, basic income for all citizens as above mentioned, free recreational and creative self-development services, comprehensive communication and transportation structures, sustainable industry development, research and technology, decentralized power generation systems, and all the many other varied elements of a well-functioning national infrastructure fitted to the needs and challenges of this new century and beyond. It should be a matter of national priority to make grants to fund public-spirited free information media and vibrant participatory democratic fora.

A visionary and well-managed state that makes its own money can make all of this and more possible and pay for it easily.

Of course, such a great and visionary and compassionate country as proposed here will attract massive immigration from less blessed places, which will be most other places, but that is a significant complication for another discussion.

In this compassionate new economic system, the citizens constitute the first tier of a society that is structured as a multi-level participatory democracy energized by engaged citizens, vitalised communities, and a vibrant civil society.

Communities and civil society constitute the second tier of such a society and do most of the actual social services delivery work and human welfare provisioning. In such a

society, the main task of government becomes policy coordination and large-scale grant-making rather than grassroots services delivery.

Business constitutes the third tier. At this tier, particular targeted monetary supports, including direct micro-grants linked to basic business training and education, should be aimed at stimulating a profusion of micro-entrepreneurs and micro-enterprises for locally-centred, community focused, broad-based new capital generation. Few things could amplify developmental interventions more than this.

It is also critically important that state money be used to support a profusion of local currencies and local exchange trading systems in order to erect a heterogeneous monetary system that entrenches the deep and broad localisation of wealth generation through grassroots commercial activities. Wealth should flow into communities, even remote ones, rather than out of them. This is the reverse of what we have now.

Private banks should be in the business of re-circulating already existing monetary capital from sources of surplus to sinks of scarcity where application of those funds can generate new surpluses. This is their proper social function. Of course, they should be able to charge fees, but not interest, for their services. Interest should not be charged because money by its real nature is inert. It is not fertile. It does not by its nature grow.

The global finance system would not favour such developments as proposed here. Such disfavour cannot be ignored, of course. But it will be rendered much less disabling if there is, as seems likely, a systemic market failure in global finance. Currently, the global finance system is showing signs of a reverse leverage breakdown. In that case, South Africa would need relative financial system immunity if it is not to suffer greatly for ills created elsewhere.

What is proposed here is neither utopian nor impractical. It is all possible if a responsible and responsive state makes its own money rather than taxes it or borrows it from private banks who make it for their own profit thus introducing anti-social motives right at the root of money creation.

This is how The South African Freedom Charter will begin to be economically actuated.

This is how political citizens of South Africa will become fully-fledged economic citizens of South Africa.

This is how economic apartheid will end.

Is South Africa ready to seize this moment?

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