

DEMOCRACY WORKS.

Social Spending, Taxation and Sustainability

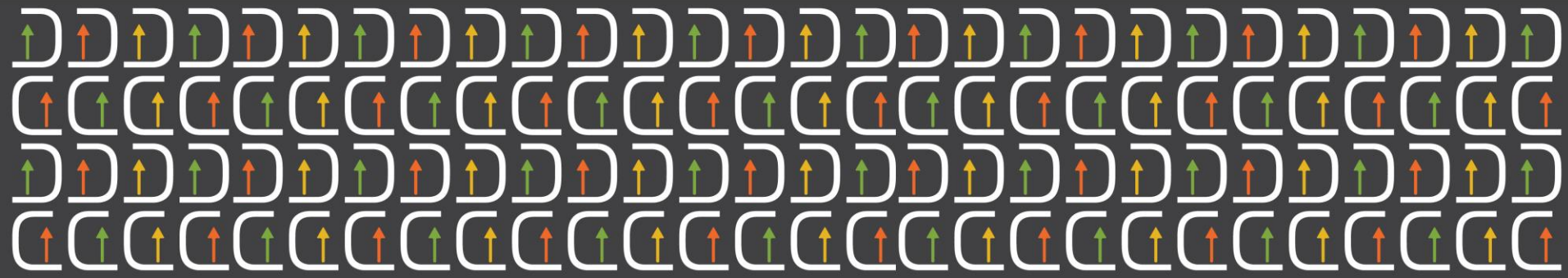
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William Gumede

E-mail: William.Gumede@wits.ac.za

Tel +27 11 7173533



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Democracy in unequal developing countries

Challenge building democracy amidst deep poverty

Democratic institutions: judiciaries, parliaments and oversight organisations may exist

Legacy of political, social and economic inequalities undermines democracy

Inability to undo long-standing pre-democratic exclusions in new setting

State capacity, access and culture of administration - historically geared to select groups

Poverty, past racial discrimination combine – to unequal access to the state administration or officials, services, dignity of treatment by administration

Poor citizens and historical disadvantaged treated unequally by 'democratic' state

Democratic institutions, public administration *unevenly* accountable

Rule of law *selectively* applied

State agencies, institutions and officials do not treat poor as "legal rights-bearing"

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Democratise state *and* markets

Weak state capacity, high expectations

Effective public services *and* some level of social security Democratising *both* state and markets

Without economic democracy, reinforce inequalities

Democracy *with* economic structural adjustment programs – inequalities

Freedom to come up with their own trade, industrial and manufacturing policies essential

Extreme concentration of wealth in the hands of a few - especially in the context of inherited racial, class and political inequalities

Compounds other inequalities, such as those between women and men, undermine social cohesion and equal opportunities for all

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Social spending essential for democratic sustainability

Where both inequality and injustice were systemic

Need substantial social justice ethos

Just distribution of political, social and economic 'services' and rights

Equitable access to these

Redistribution or an effort to provide special access to historically disadvantaged

Actively restore disadvantaged social equality

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Sustainability challenge of social spending

How to make social spending sustainable in the long term

South Africa's tax base is too small

Quality of *return* on taxes not sufficient – public health, education, police

Tax payers increasingly paying double tax on private health, security, education

Public sector drain on income

Considerable waste of public funds

Elected representatives, public officials, agencies treat tax paying citizens with disdain

Rising public corruption

Sooner rather than later there will be a tax rebellion

Rise in moving income and profits abroad

How to migrate beneficiaries of social spending to eventually become taxpayers themselves

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Link social spending to responsibilities, industrial policy, training

Recipients of social grants could be contracted by the state

Personal duties: oversee children education, health

Public and community work – 1 day a week keep street, school safe

Monitoring of the state agencies – assign to monitor police behaviour

Link social spending to *industrial education*, training

Practical skills – community nursing, kindergarden carers

Link social to *industrial policy* – recipients buy from local manufacturers

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Improve the quality of public service delivery

Improve the *return* on taxes – better public health, education, police

Manage public finance more prudently

Black economic empowerment *shift* from individuals to communities, skills

Tackle public waste, leakage, corruption

Elected representatives accountable, responsive

Public officials, agencies must become more accountable, responsive also

Improve the quality of democratic institutions

Use South Africa's diverse talent better – whatever colour, ethnicity, ideology

Skilled South Africans who want to could help in communities

Adopt a child's education

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Social pacts

Long-term development solution inclusive growth pacts between all stakeholders Government, business, trade unions, civil society and citizens

National, city or municipal level, business and labour

Strike mutual compromises at the sector, industry or workplace level to grow industries and create jobs

Each side must compromise for the greater good of creating jobs, lifting growth and boosting economic development

Based on a commitment to strength democratic institutions

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References

Houtzager, P. Peter and Acharya K. Arnab. 2011. Associations, active citizenship, and the quality of democracy in Brazil and Mexico. *Theory and Society*, 40 (1), p. 7