BRETTON WOODS INSTITUTION NARRATIVES ABOUT INEQUALITY AND ECONOMIC VULNERABILITY ON THE EVE OF SOUTH AFRICAN AUSTERITY

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In South Africa, at a time National Health Insurance should be generously funded (seven years after its approval as public policy by the ruling party), state fiscal austerity appears certain to nip the initiative in the bud. The World Bank and the International Monetary Fund issued separate reports about South Africa in late 2014, following a new finance minister's mid-term budget speech. In justifying austerity, they revealed two important conceptual blockages regarding inequality and international financial relations. The resulting political bias in the macroeconomic debate in turn has given neoliberal policy advocates intellectual weaponry to impose deeper austerity. In contrast, the rise of a 'United Front' of labor, community-based and social movement activists, along with a vigorous left opposition party in parliament, assure that one of the world's most visible class struggles ratchets up in intensity in the years ahead.

South Africa is probably the world's site of most sustained class struggle over at least the past three decades, as codified recently by the World Economic Forum *Global Competitiveness Report's* reputational consideration of worker hostility to business (1, p. 484) and by 'unrest' statistics from the SA Police Service confirming, in 2013-14, 1907 violent protests (and many thousands more non-violent) (2). In the country with what is considered the world's greatest mineral resource endowment (valued by Citi Group at $2.5 trillion) (3), consider two other leading variables: the world's highest income inequality amongst large countries (in 2011, the top 10 percent captured 58 percent of income and the bottom 30 percent had only 8 percent, a worsening trend) (4), and the most corrupt corporate class on earth according to the business consultancy PricewaterhouseCoopers in February 2014. Drawing on its survey, *The Times* labeled South African management "the world leader in money-laundering, bribery and corruption, procurement fraud, asset misappropriation, and cybercrime" (5), with 77 percent of all internal fraud committed by senior and middle management.(6) (This may help explain SA's 2013 rating as the third most profitable country for corporations among major economies, according to the International Monetary Fund.) (7)

In contrast, South Africa's most compelling statistic is the rise in life expectancy from 52 in 2005 to 61 in 2014 (still down from a peak of 63 two decades earlier) (8). While partially attributed to declines in infant and maternal mortality, this exceptional progress was mainly due the sudden availability of antiretroviral medicines following Treatment Action Campaign (TAC) activists' defeat of official state AIDS denialism (9) and pharmaceutical corporate profiteering (10). In an epic battle (11), which briefly entered (12) the courts but which was mostly waged on the streets (13), TAC won access to generic drugs for three million HIV+ patients (14). In the public service in 2015, 2.8 million receive the medicines for free, whereas fifteen years ago a standard ARV course cost $15,000 annually.

Nevertheless, the country's already extreme health financing discrepancies are worsening, with an enormous divide between public and private sectors, confirming that a National Health Insurance (NHI) system is vitally needed to begin establishing balance. Although this was recognized in 2007 when the ruling African National

Congress (ANC) approved the NHI during a major policy conference and in 2012 when a Green Paper policy document was produced, it has since been reduced (15) to a few pilot projects without adequate funding (less than $1.5 million) (16). There is no immediate prospect of change, in part because of the waning of policy advocacy capacity by two major NHI lobbyists, TAC and the healthworker union within the Congress of South African Trade Unions (Cosatu).

As a result, in January 2015, the *Financial Mail* could quote the SA Treasury's deputy director general responsible for social spending, Michael Sachs (who happens to be the son of the late SA Communist Party's legendary leader, Joe Slovo): "Even if no changes are made to health policy, demographic pressures and expected high utilization growth rates mean that ever greater resources will be needed just to sustain the current level of healthcare spending and service provision up to 2040. If NHI is introduced, public health spending as a share of GDP will skyrocket from around 4 percent of GDP now to close to 7 percent by 2040, the model warns" (17). That 'skyrocket' would place South Africa within a band of middle-income countries, where it should be. At present the country's social spending is half as large as Brazil's, as a percentage of GDP (18).

The local media termed late 2014 the 'dawn of austerity' (19). In this tumultuous context, major policy research interventions were offered in late 2014 by the Bretton Woods Institutions. The World Bank made headlines by claiming the country's extreme inequality was compensated for by social policy, especially spending on healthcare, education, municipal services and other components of a social wage not captured in income data. The IMF addressed South Africa's vulnerability to the world economy, and in subsequent debate played down the outflow of profits, interests and dividends and instead suggested the more severe problem was the trade deficit, a matter of enormous importance for whether exchange controls could be put onto the agenda. Internationally, the IMF was making a small rhetorical concession to that end, but not for application in South Africa.

Given the power of the World Bank and IMF, an echo-box effect was soon created, with leading commentators turning Washington Consensus opinions into calls for budget austerity. They were encouraged by the October 2014 warm-up budget speech by Nhlanhla Nene, the new finance minister. It appeared to many that those in favour of a renewed structural adjustment regime – similar to a 1996 homegrown neoliberal macroeconomic policy, GEAR, co-authored by two World Bank economists and approved by Nelson Mandela, that dramatically *worsened* the apartheid inheritance of inequality, unemployment and poverty – would require additional intellectual encouragement (20). In turn, contestation of these ideas offers insight into how, in such an extremely unequal and socially turbulent situation, lines of argument regarding the justification of inequality and economic vulnerability may proceed elsewhere.

A BRIEF HISTORY OF BANK INTERVENTIONS AGAINST SOUTH AFRICANS

World Bank loans to the apartheid regime date to 1951, when thanks to hundreds of millions of dollars in loans, the parastatal electricity corporation Eskom's generators provided service only to white-owned businesses and white households (black Africans got none). The Bank never apologized or paid reparations for empowering apartheid, but instead kept lending to Eskom and the state transport company until SA achieved middle-income status in 1967, in spite of economic sanctions calls by Albert Luthuli and Martin Luther King in 1962 (21). The IMF also lent billions to the Pretoria regime during financial crises that were in part caused by pro-democracy activism in 1976 and partly by the gold price's collapse in 1982. After financial sanctions hit Pretoria hard in 1985, the destructive, corrupt (22) Lesotho dam was another route (23) the Bank used to fund Pretoria indirectly, resulting in long-lasting problems for Basuthu displacees (24).

South Africa finally democratized during the 1990s, and in the process, the Bank played a crucial role in many areas of public policy. Worsening inequality, poverty and unemployment followed directly from its so-called 'Knowledge Bank' advice. For example, Bank neoliberal water pricing suggestions were 'instrumental'(25), Bank staff bragged, and led to disconnections of poor people that, in turn, catalysed KwaZulu-Natal's cholera epidemic (26). Yet Mandela, facing severe pressure from big business, adopted numerous ineffectual Bank strategies in spite of periodic social resistance (27).

More recent Bank activity included a 2007 authorization of $150 million in debt and equity to fund Lonmin's notorious Marikana platinum mining operation. This was allegedly meant to include the construction of 5000 houses for workers (28). As the Bank claimed without apparent irony, "The company has embarked on a multi-stakeholder effort to help bring prosperity and sustainable development to the local communities in which it operates. Alongside Lonmin, there are three key stakeholder groups – the traditional authority, local government, and local mining companies – that share the same vision for socioeconomic development" (29). But in mid-2014 South African Deputy President Cyril Ramaphosa admitted to the Farlam Commission investigating the Marikana Massacre of August 2012 that only three of the promised houses were built (30). As a 9 percent owner of Lonmin, that work was his specific responsibility, but more to the point, he also emailed in to the police minister a request that a 'dastardly criminal' wildcat strike be suppressed; a day later, 34 workers were murdered (31). The day after the massacre, the Center for International Environmental Law recommended that the Bank reconsider further extractive industries investment given such conditions, but to no avail (32). Two weeks later, Bank president Jim Yong Kim (33) visited Johannesburg but neither travelled to nor even mentioned Marikana (34).

Kim, an anthropologist-medic, had co-founded the path-breaking NGO Partners in Health and ran vital World Health Organisation AIDS programmes. As a Harvard academic, the book Kim co-edited in 2000, *Dying for Growth* (35), demolished neoliberal Bank policies. Yet in South Africa, Kim praised the Bank's biggest-ever project loan (36), $3.75 billion for Eskom's Medupi power plant, in spite of the health damage done by coal to South Africans (37). Indeed Kim even termed Medupi a 'clean coal' project, all evidence to the contrary notwithstanding. Medupi is probably South Africa's most important failed megaproject ever, and at the time of writing was already three years behind construction schedule, resulting in repeated black-outs of the national grid. There was well-documented corruption in tendering, as the $3.6 billion boiler contract went to Hitachi, whose local operation was one quarter owned by Chancellor House, the ANC's funding arm (the tender was approved by the chair of Eskom, who was also an ANC finance official, and thus acted 'improperly' according to a state investigation) (38). Medupi also did rampant damage to water and air, created enormous community and social strife especially in coal-sourcing sites, and witnessed relentless labor unrest (39).

Repaying the Bank and other Medupi lenders had already forced poor people to pay 150 percent more for electricity than in 2007. Hence, many switched to dirty energy to avoid running hot plates and single-bar heaters in favour of cheaper, dirtier, much more dangerous and health-costly paraffin, coal and wood (40). The Bank failed to use its clout as the critical late-stage lender to force the borrower, Eskom, to restructure its notorious BHP Billiton 'Special Pricing Agreement', which over the prior 22 years, had provided the world's largest mining house up to 10 percent of SA's electricity at US$0.01/kWh (41).

The coal-fired project is a symbol of the Bank's mega-project bias. In February 2010, the South Durban Community Environmental Alliance (SDCEA) launched a global campaign to halt the Bank's Medupi funding, because of its climate-wrecking, poverty-creating impact. The strategy nearly worked, with Norwegians voting against and even the US government abstaining on the project in April 2010 (42). Yet the Bank retained the power, prestige and arrogance to continue its South African advisory work, as most media and the conservative opposition persistently railed against the borrower – nicknamed "Eishkom" (Eish! being a local exclamation of frustration) – but failed to impose any form of accountability on the lender. The same configuration of forces applies to social policy.

CREATIVE ACCOUNTING EXAGGERATES STATE WELFARE POLICY

"South Africa is achieving a sizable reduction in poverty and inequality through its fiscal tools," claimed the World Bank's Pretoria-based country director Asad Alam in the foreword to a November 2014 report, "Fiscal Policy and Redistribution in an Unequal Society" (43). The timing was vital: just two weeks earlier, in his first budget speech, South African Finance Minister Nhlanhla Nene warned of coming austerity, 'tough times' (44) and 'a new age of pain' (45). The subtext soon came into focus: neoliberals can justify social spending caps or even cuts, in one of the world's most unequal countries, if the Treasury is seen to have been exceedingly generous. (The Treasury's ratio of social grant spending to GDP was already projected to decline from a tokenistic 3.0 to just 2.3 percent by 2040, even before Nene's speech.) (46) But to reach their conclusion, Alam and the Bank report's primary author, Catriona Purfield, simply *ignored data they could not process*: numbers inconsistent with Bank dogma.

The Bank's optimism about redistribution, notwithstanding this stinginess, is not unusual, for the institution suffers from poverty denialism. As Jason Hickel of the London School of Economics pointed out recently, in 2000 rising numbers of poor people represented "a PR nightmare for the World Bank", so after massaging the International Poverty Line, "their story changed dramatically and they announced the exact opposite news: the introduction of free-market policies had actually reduced the number of impoverished people by 400 million between 1981 and 2001" (47). This has been largely based on picking an extremely low and arbitrary number for poverty ($1.25/day) and employing many other numerical tricks and creative accounting techiques.

In South Africa, economists generally approve of the Treasury's commitment to neoliberalism, and so the Bank's new strategy appears similar: creatively adjusting the 'Gini Coefficient.' This number is the most-cited reference of economic injustice: 1 is total inequality, when one person 'earns' everything and everyone else gets nothing, while 0 is when everyone shares income equally. The new Bank argument is that once South Africa's Gini is manipulated to include taxes and state payments, then inequality falls dramatically, from 0.771 to 0.596. The argument has huge flaws, as it counts state payments rather selectively.

A small cottage industry of researchers aiming to adjust Gini Coefficients along these lines has emerged, with Tulane University's Nora Lustig informing the Bank the most (according to Bank sources), partly in her roles as a Center for Global Development associate and IMF consultant. In the latter function,

> Lustig relentlessly pushed to include analysis of the effects of such factors as income distribution, education, and health care in the debate on overall economic development, which was dominated by macroeconomic concerns. She broke ground in 1999 with the concept of "socially responsible macroeconomics" – a call for policies that protect the poor during times of crisis and simultaneously help lower chronic poverty. After the emerging market crises of the 1990s, the message sunk in, and multilateral agencies and developed countries realized that the process of eradicating poverty and achieving sustained development had to involve the poor as active participants.(48)

As an aside (and a rather important one), this is the same discourse that allowed Jim Kim to avoid tough questions about *Dying for Growth* during his 2012 World Bank candidacy. As he told an uncritical *New York Times* journalist, "That book was written based on data from the early and mid-1990s. Our concern was that the vision was not inclusive enough, that it wasn't, in the bank's words, 'pro-poor.' The Bank has shifted tremendously since that time, and now the notion of pro-poor development is at the core of the World Bank" (49).

A follow-up article in *The Washington Post,* by his campaign allies Paul Farmer and John Gershman amplified the message: "In the 1990s, when the book was researched and written, too many of the world's poorest had been left behind by the growth of the global economy" but "Thanks in part to Kim's trailblazing work, development approaches have changed" (50). Farmer and Gershman provided no evidence of real change, only of rhetoric, using a throwaway line in a 2006 World Bank *World Development Report*: "We now have considerable evidence that equity is also instrumental to the pursuit of long-term prosperity in aggregate terms for society as a whole" (51, p. 18). But such phrasing can be found in Bank reports right through neoliberal era, as Bank economists regularly wrote left (putting a 'human face' on structural adjustment) so they could walk right.

Farmer and Gershman bragged of "greater investments in areas such as health and education, which help countries grow." The week before they made this emollient claim, the Organisation for Economic Cooperation and Development reported a 3 percent decline in Overseas Development Aid by rich countries in 2011 (52). As for health, the Global Fund to Fight AIDS, Tuberculosis and Malaria ashamedly conceded in 2011 that it would offer no new grants through 2014 because of funding shortfalls (53). The World Bank led the way in cuts, from $1.3 billion in subsidized education credits to the poorest countries in 2010, to $400 million in 2011 (54).

The narrative that the Bank now cares about the poor, and encourages state social policy that lowers the Gini Coefficient, also suffers from severe internal contradictions, even on its own terms. To her credit, Lustig occasionally asks, but tellingly *does not answer*, this question: "What about: corporate income taxes, tariffs and export taxes/subsidies, indirect effect of production taxes/subsidies, other in-kind transfers (infrastructure)" (55)? When I asked if there was an answer, she replied, "Your questions are very valid. Regretfully, we have yet to figure out a solid methodological approach to allocate the burden/benefit to households of the list of interventions you list right below. We are working on them. In the meantime, the results of the fiscal incidence exercise need to be placed within the context of the fiscal interventions that are not included."

Similarly, to its credit, the Bank's report "Fiscal Policy and Redistribution in an Unequal Society" does acknowledge four caveats:

> • the analysis does not take into account the *quality* of services delivered by the government;
> • the analysis excludes some important taxes and spending such as *corporate income, international trade, and property taxes*, and spending such as *infrastructure investments* due to the lack of an established methodology for assigning these outlays across households;
> • it does not capture the growing debate on how *asset accumulation and returns to capital* affect income inequality;
> • turning to the data used in the analysis… there are questions about the ability of a survey of this type to collect *adequate information on households at the top of the distribution* (emphasis added).

As a result of failing to address these methodological gaps, four specific problems arise which render the Bank's optimistic conclusion utterly untenable, because it appears that Bank staff are incapable of admitting that subsidization of capital and wealthy households is what characterizes capitalist states.

EMBARRASSING CORPORATE INFRASTRUCTURE WELFARE

First, why did Bank staff not estimate enormous business subsidies colloquially known as 'corporate welfare'? For example, state economic infrastructure overwhelmingly benefits corporations and rich households, especially because of ongoing subsidies covering operating costs. Simply taking South Africa's economic heartland, Gauteng Province, recent state subsidy beneficiaries include: those with cars driving more rapidly on widened highways that fall under the new $2.1 billion 'e-tolling' system (so expensive that workers have strenuously protested and boycotted payments); riders on the $2.3 billion Gautrain luxury subway linking the industrial and commercial hubs of Johannesburg – including the Sandton financial district – to the national capital of Pretoria and airport (the subway was launched in 2010 but in late 2014 still operated at half the projected capacity, hence requiring $80 million in annual operating subsidies); passengers of the persistent loss-making South African Airways (which posts regular $500 million annual losses), who mainly use the luxuriously refurbished OR Tambo International Airport in Johannesburg; those owning firms in tax-loopholed industrial districts; and the international mining houses whose branch headquarters in Johannesburg have enjoyed the world's cheapest electricity during most of the last century along with discounted water and wastewater, R&D support, etc. With innumerable other tax benefits and hidden subsidies such as tariff manipulations and export subsidies, the amounts of public transfers to corporate South Africa are enormous.

The South African state's pro-corporate investments show up in corporate balance sheets not necessarily as income (which would become dividends and be counted in Gini accounts) but as rising implicit share value, via the locational advantage of stockholder assets, compared to similar sites lacking such infrastructure. Indeed the Bank provides estimates for many such subjective valuations applied to households, such as education and healthcare investments, as well as state infrastructure services such as water and electricity. These are counted in the Gini-adjusted social wage, even though their quality is so low (especially in South Africa's black residential areas) that, to illustrate, the share of students failing to reach 12th grade broached 50 percent in 2014. Many of the Treasury's fiscal tools contribute to corporate wealth, not necessarily as explicit income but as higher 'produced capital' (just as education and health spending are counted as 'human capital'). If the Bank bothered to count it, the rich who hold an oversized proportion of Johannesburg Stock Exchange shares would be unveiled as disproportionate beneficiaries of state largesse.

The Bank counts state subsidies – such as 50 kWh/household/month of Free Basic Electricity provided to those who prove they are 'indigent' – as part of the social wage. But ironically it fails to consider the largest such subsidy, to which it has contributed the most of any such project in its history: Eskom's long-delayed Medupi coal-fired power plant. As noted above, Medupi is a multiple developmental disaster, aiding mainly the intensive energy users in capital-intensive, carbon-addicted industries such as mining and smelting. Likewise, bulk water supplies to favoured customers – large-scale farmers still receiving irrigation subsidies, corporations which negotiate with municipalities for lower rates, timber plantations and other mega-users – are not noticed in the Bank report.

FREE BASIC SERVICES NEGATED BY FAST-RISING PRICES

Second, the Bank report also ignores discriminatory bias in state services pricing, and makes exceedingly generous assumptions about Free Basic Services allegedly delivered to poor people. Yet data from the largest cities analysed by University of the Witwatersrand lawyers confirm that in 2001, water and electricity were repriced with a small token amount (6 kiloliters of water and 50 kWh of electricity per household per month), but subsequent prices soared (56). The tokenistic free services were negated by such high prices for subsequent consumption blocks that the result was a *regressive* overall price impact. Durban residents, for example, got free water in the country's main pilot project, but *the poorest third of water customers were hit by a doubling in the real price of water* when the price for the 6-10kl consumption block soared. As a result, from 1998 to 2004, the poorest households cut water purchases by nearly a third, from 22 to 15 kiloliters per month, even though this period witnessed a cholera outbreak, rampant diarrhoea epidemics and the AIDS pandemic (57). Finally, if, as the Bank report claims, a 'sizeable' reduction of poverty was achieved through fiscal policy, why are there more delivery protests per person here than probably anywhere else, earning the nickname 'protest capital of the world' (58)? These are *increasing*, but the Bank took no notice (59).

CORPORATE CAPITAL FLIGHT = LAX FISCAL POLICY

Third, the Treasury's deregulatory attitude to corporate profit outflows since 1995, when exchange controls were first relaxed, has facilitated massive capital flight to the firms' overseas financial headquarters, *much more than is officially recorded* in the national accounts (60). Vast amounts of implicit income are thus redistributed from what could have been our national fiscus, to corporate shareholders, here and abroad. In addition to profit and dividend outflows, illicit financial flows are so substantial that the Southern African Customs Union was (conservatively) estimated by staff at the

United Nations to have lost $130 billion from 2001-10 (61). This is fully a third of all Africa's illicit financial outflows, yet goes unmentioned in the Bank report.

The Treasury also shies away from investigating corporate strategies known as transfer pricing and trade mis-invoicing. Lonmin's Bermuda 'marketing' operations were revealed as a major source of capital flight by the Alternative Information and Development Centre (62). Research by the University of Manchester Leverhulme Centre for the Study of Value strongly suggests that De Beers, with its near-monopoly, secrecy and movement across borders, uses transfer pricing and misinvoicing worth $2.83 billion from 2004-12 in order to minimize its tax liability (63). In an apparent conflict of interest, De Beers 'donates' paid staff to the State Diamond Trader, Corporate lawyers run rings around government regulators and the Treasury's SA Revenue Service (64).

How substantive are such tax avoidance and capital flight strategies? According to University of the Witwatersrand economist Seeraj Mohamed, illicit outflows amounted to a massive 23 percent of GDP in just one year, 2007 (65). The Treasury's tax laxity – facilitating creative accounting by ethics-challenged corporations – is one of the most important redistributive aspects of fiscal policy. But it is ignored in the Bank report.

NATURAL CAPITAL UNACCOUNTED FOR

Fourth, an additional tool would have revealed whether state fiscal policy favours longer-term interests of the country's citizens: 'natural capital accounting'(66). The term refers to the value of minerals, forest resources, land and other environmental endowments that are either cropped or that remain underground. Critically, *once corporations remove a non-renewable mineral resource, it's gone forever.*

Ironically, other Bank staff have compiled what is probably the most sophisticated such analysis, in the 2011 book *The Changing Wealth of Nations*. In one sample year, 2005, the impact of natural capital depletion on South Africa's national income was negative 9 percent. The overall net resulting shrinkage of wealth was $245 per person that year. This extreme redistribution from future (poor) beneficiaries to (current) wealthy mining houses and shareholders can also be attributed to fiscal policy: *not to substantively tax minerals extraction.* In contrast, sovereign wealth funds are found in places ranging from social democratic Norway to conservative Alaska – and are in formation even in resource-cursed Angola and Zimbabwe – but there's no mention of higher taxation or resource nationalism in this Bank report.

BANK REBUTTALS

The Bank hesitantly reacted to the critique above. After more than a week's delay and only after this critique's publication in South Africa's *Mail&Guardian* newspaper (67), a reply came from Purfield. In addition to repeating the report's methodology, she made these generous concessions:

> Thank you for your mail and your questions. As you highlight, an analysis of this kind has limitations and you raise important issues and reservations… As you note this mapping cannot take into account the quality of the actual spending, especially in the areas of education and health… On the important questions you raise about corporate taxation and infrastructure and subsidy spending, the incidence method in the paper simply cannot trace who is paying these taxes or benefitting from these outlays.(68)

My follow-up question to her: “If your staff really cannot distinguish between service quality in rich and poor areas of South Africa, nor trace corporate taxes and benefits, then – given the potential damage to poor people done by the over-optimistic misimpressions created – won’t the World Bank offer a retraction of those dramatic redistribution claims, until proper research is done? Otherwise the neoliberal commentators and politicians will continue using Bank research to advocate state spending cuts” (69). Purfield declined to retract, nor did her ultimate supervisor, chief World Bank economist for Africa Francisco Ferreira. In an email to me, he dismissed concerns about his colleagues’ Gini Coefficient data manipulation.(70) I specifically asked about the decision to ignore corporate subsidies when calculating the allegedly “comprehensive” impact of fiscal policy on inequality, and he answered: “It is certainly possible that reasonable people might disagree about specific methodological decisions taken. That said, the approach taken [by the Bank’s Pretoria staff] strikes me personally as carefully thought out, theoretically sound, and well implemented.” This is as an unabashed a reconfirmation one might find of the Bank’s pro-corporate bias. It is a firm endorsement of “theoretically sound” white-washing of the worst inequality of any major country in the world. My request to the Bank for a public debate was simply ignored.

WORLD BANK RESEARCH CONTAGION

In terms of the report’s ideological impact, a great deal of damage was soon done. The austerity drum-beat in South Africa was in any case building to a crescendo from early 2014. In one extreme case illustrative of the upper-class mood, *Daily Maverick* ezine editor Brooks Spector praised the SA state for “terribly admirable” programmes, but he then recounted a revealing “day-dream”. Against the ANC’s “litany (*sic*) of ever-advancing, ever-improving benefits,” the former US State Department official asked whether any other party running in the election one month later was “brave enough” to say, “Damn right we’re in favour of cutting your social grants! That’s because we’re going to put South Africa back to work again, and turn it into a place where you will earn more money and gain real self-esteem because of your work” (71) (Social grants go to just three groups: the poor who are elderly or kids, and severely disabled people unable to work.)

By the end of 2014, renewed threats of social spending cutbacks became acute, as the credit rating agency Moody’s downgraded the South Africa government the day after the Bank report was released (72). With the Bank research publicized to great acclaim (and no critical scrutiny, this author excepted), even on the country’s main tv news channel eNews (73), it was immediately interpreted so as to serve the austerity cause:

- BrandSouthAfrica manager Simon Barber in the journal *Foreign Policy:* “The World Bank recently compared 12 middle income economies and found SA had performed the best in reducing poverty and inequality. That said… ‘the fiscal space to spend more to achieve even greater redistribution is extremely limited’… Government debt levels, close to those at apartheid’s end, are on an unsustainable trajectory. If this continues, Treasury models suggest, choices will have to be made between expanding the politically important safety net which now protects 16 million plus South Africans and making the investments needed to clear blockages to the one thing that’s required above all, growth.”(74)
- Investec chief economist Brian Kantor: “The World Bank shows, in a recent study, that SA does more to redistribute income in cash and kind to the poor

than its developing economy peers… The imposition of higher tax rates on the high income earners would achieve little by way of extra collections; more important it would undermine the incentives of high income earners to deliver more taxable income." (75)

- Jonathan Katzenellenbogen at *PoliticsWeb:* "a World Bank report warned last week that government no longer has the cash to expand the grant system... 'due to the high fiscal deficit and debt.' According to the Bank report, transfers have caused the poverty rate to fall from 46.2 percent to 39 percent... This reduction in inequality through tax and spending is larger than in any other country."(76)
- Hilary Joffe of *Business Day:* "Add in the social spending side of the fiscal equation, which the World Bank study finds is very well targeted to the poor, and SA comes out spectacularly well against its peers."(77)
- Nomura Investment Bank economist Peter Attard Montalto: "The World Bank's report on SA's fiscal policy being highly effective at redistribution is in some ways not a surprise… The problem is that this is only papering over inequality caused by unemployment. It is not addressing the real problem of boosting private sector job creation through decent, non-invasive, microeconomic policies."(78)
- Bank staff Mahmound Moheildin and Maria Beatriz Orlando in Project Syndicate's *'Visionary Voices'* series: "SA has made considerable progress from institutionalized segregation toward an ideal of a 'rainbow nation' in just two decades."(79)
- Rothschilds banker (and former finance and planning minister) Trevor Manuel: "The World Bank study released last week confirms that fiscal policy is significantly redistributive, on both the tax and spending sides..."(80)
- ANC Treasurer Zweli Mkhize: "in the midst of the gloom and pessimism that abounds, we must never lose sight of our strength as a people and our achievements as a country. Last week World Bank economist Catriona Purfield told reporters in Pretoria stated that in SA, large reductions have been made in poverty and inequality."(81)

Another major business news article in early 2015 was headlined, "A fiscal tightrope: World Bank warns South Africa to cut spending" (82). Like the Bank, it failed to consider an explicit restoration of higher taxes on the rich and corporations or even print money (given how closely inflation has corresponded to a 6 percent target). Pro-poor fiscal space could be said to exist in principle but that space was immediately *evacuated* by SA Treasury officials, with the World Bank's encouragement.

The subtext of the narrative quickly comes into focus: justification of social spending caps or even cutbacks in one of the world's most unequal countries, now that the Treasury is seen to have been exceedingly generous through past grants. According to a powerpoint presented immediately after Purfield's report launch by the Treasury's Michael Sachs: "Current levels of spending are sustainable, provided that real growth remains above 3 [percent per year]. In a secular stagnation scenario, social spending will be increasingly difficult to sustain."(83) The hope that GDP growth would exceed 3 percent per year was fantasy, given that it was well below that in the 2008-14 crisis era with no prospects for immediate improvement in 2015. The fantasy wore off as Budget Day dawned on February 25 2015, as ratings agencies Moody's, Standard & Poors and Fitch openly discussed a downgrade of state bonds to junk status. On *Business Day's* front page, leading economist Iraj Abedian asserted that Nene would only satisfy the ratings agencies by cutting civil service salaries as a share of spending and, for social grants, ensuring any increases came in "way below inflation." Nene followed that advice, announcing “consolidation of government personnel numbers” and then withdrew a public-sector wage increase offer and returned with a lower one, infuriating the closet allies his government had in the labor movement. Nene also made substantial cuts to the real social wage. The child grant was up a nominal 4.8 percent from 2014’s average monthly $27; the old age and disability grant rose 4.4 percent from 2014’s $117; and the foster care grant increased just 3.6 percent from $72. But inflation recorded in February 2015 for the lowest fifth of South Africans was 5.6 percent (and for the society as a whole just 4.4 percent), as a result of the temporary downward spike in gasoline prices. But in a more accurate measure of buying power, the 2014 average inflation rate was 6.1 percent and lower-end inflation above 7 percent, so Nene’s grant increases were indeed “way below inflation.” Either unaware or offering a distortion, Sachs made this incorrect claim on a popular ezine in reply to a critique of Nene’s austerity: “the value of grants has kept pace with rising prices.” (84)

As for cuts in the bloated South African state bureaucracy, the secretary of the new left movement the United Front, Mazibuko Jara, was critical: “Previously frozen posts of teachers, health-care workers, technicians, etc. have now been done away with. This will seriously undermine the delivery of basic and essential services such as water, sanitation and electricity.”(85) There was also not a cent in the budget for a National Health Insurance program promised since 2007. However, on the revenue side, for the first time since 1995 a finance minister imposed a personal income tax rise on the middle- and upper-classes (with above a $1300 monthly income), but it was only 1 percent.

The World Bank was only one player in this drama, but it was the one most closely associated with background justifications for budget cuts on grounds of prior generosity. As a public international institution, it would theoretically be more open to dialogue about its methods and influence, and should be open to self-correction in cases such as this. By late 2014, however, when avenues of debate within the World Bank economics team had been exhausted, there emerged an added complication in seeking quality control regarding this sort of research: the World Bank Vice President for Integrity (*sic*) is none other than South African Leonard McCarthy (86). The September 2014 release of the ‘Spy Tapes’ – illegally recorded conversations involving McCarthy – conclusively showed how the state’s April 2009 prosecution of presidential candidate Jacob Zuma on 783 corruption charges was self-sabotaged by McCarthy’s evident anti-Zuma conspiracy.(87) When learning of his Bank appointment, itself arranged under dubious conditions in which McCarthy was taped as saying he needed to be seen as ‘squeaky clean’ (which he was not) and hence required the intervention of former Bank board chairperson Manuel, the country’s most respected newspaper editor, Ferial Haffajee of *CityPress,* remarked, simply: “He ruined our criminal justice system.”(88) (The Bank continued to defend McCarthy’s ‘integrity’ in spite of all evidence to the contrary.) (89)

HAS THE IMF REFORMED?

A similar debate arose with the International Monetary Fund. One initial matter was whether its staff would consent to South Africa defying orthodox logic, when dealing with another central cause of austerity: the very high interest rates (in comparative terms) required to retain international capital. These rates had a deleterious impact on South African credit markets, making state borrowing that much more expensive, and causing enormous economic distress to household borrowers. The latter were victims of credit deregulation in the 2000s, leading to vast increases in debt/income ratios, and in turn, to non-performing loans. The only immediate relief would be lower interest rates, but that in turn would catalyse capital flight.

It is necessary to telescope outwards to address whether capital controls might be acceptable to the Bretton Woods Institutions as a means of lowering interest rates and preventing capital flight, whether for South Africa or anywhere. Grounds for optimism were expressed during by progressive Boston University political economists Cornel Ban and Kevin Gallagher, who suggested 'conventional wisdom' about the IMF is 'outdated' because it is no longer "a global agent of economic orthodoxy" (90).

To be sure, under Managing Director Dominique Strauss-Kahn (until May 2011), there were occasional indications of inclement Keynesian strategies, not just pump-priming to avoid economic crisis, but a more general approach to global demand management and institutional restructuring. The most transformative intra-capitalist strategy would have been a return to Keynes' idea of penalizing trade surpluses, which Greek political economist Yanis Varoufakis believes Strauss-Kahn once hinted at – but China, Germany and the Middle East would quickly veto that idea (91). In contrast, the fiscal and monetary laxity Strauss-Kahn facilitated was merely system preservation. Alongside World Bank president Robert Zoellick, he bandaged the 2008 crisis by shifting and stalling it across space and time using $750 billion in new Special Drawing Rights and other financial resources, allowing various kinds of associated credit binges (92). In the process, bankers were bailed out, inequality soared and most countries were left with a higher foreign debt. Strauss-Kahn also oversaw the kinds of austere economic policies in smaller countries, even Egypt but especially Tunisia and Libya, that directly caused the 2011 North African uprisings (93).

Ban and Gallagher argue that the IMF has undergone "deep transformations that often point in a more Keynesian direction" and now has an awareness of "the systemic risks posed by the interconnectedness of global banks."(94) (Gallagher should be credited, as much as any applied scholar, for creating this awareness.) But how deep does this 'transformation' go?(95) Ban and Gallagher's answer: "Since the 1970s, the IMF has been heavily criticized for being insensitive to the diversity of domestic conditions." But this is the 'heavy criticism' of reformist Keynesians; a broader political-economic critique does not stop at 'diversity'. It considers the IMF's role in the reproduction of world capitalism, especially when stressed.

Geopolitically, for example, the recent Ukraine fiasco shows that "The IMF is a toy of the United States to pursue its economic policy offshore," as even an establishment economist, Rudiger Dornbusch, once frankly confessed (96, 97). The IMF's rhetorical gambits reflect this emergency flexibility, for in terms of underlying practice, IMF exploitation of the world's poor *did not change substantively* on Strauss-Kahn's watch. As Rebecca Solnit recalled, the IMF very nearly re-wrecked Haiti in the immediate wake of its 2010 earthquake by refusing to forgive debt and instead pushing more loans; only activists like Camille Chalmers and his international allies prevented that (98, 99, 100).

And in what would be his last IMF press conference, Strauss-Kahn was asked about North African activists carrying Che Guevara flags: "Do you have any fears that there is perhaps a far left movement coming through these revolutions that want more, perhaps, closed economies?" His answer: "We're in a globalized world, so there is no domestic solution" (101). Two and a half years earlier, Strauss-Kahn was awarded the Order of the Tunisian Republic (the country's top honour) by pro-Western dictator Zine El Abidine Ben Ali. Strauss-Kahn returned the compliment: "Economic policy adopted here is a sound policy and is the best model for many emerging countries" (102). In

September 2010, the IMF advized how that 'best model' should continue, given "that the tax burden on businesses is relatively high in Tunisia, and that there is scope to increase the yield from taxes on consumption" (103).

IMF economists cherish the Value Added Tax (VAT), which hits poor people far harder than it does the wealthy, as a percentage of income. In Tunis, they brazenly called for "a reduction in profit tax rates offset by an increase in the standard VAT rate." But while enthusiastically calculating the revenue benefits, they neglected the social costs, especially increased pressure on poor people including ordinary fruit sellers (e.g. Mohammed Bouazizi). (Philip Rizk observed the same problem in Egypt: VAT as the IMF's 'poor tax'.) (104) Still, thanks to Strauss-Kahn's leadership, the IMF quickly adapted on the difficult new terrain of class struggle (105), prior to the 2011-14 counter-revolutions that swept away North Africa's democratic hopes. Some new phraseology would come in handy, e.g. 'country ownership', 'poverty reduction', and 'social protection' (106). In June 2011, Strauss-Kahn's temporary replacement, John Lipsky, was even heard pronouncing the words 'social justice' as his top priority objective, when seducing Egypt to borrow more so as to repay $33 billion of the dictator Hosni Mubarak's old loans (107). The South African name of this game is 'talk left, walk right' (108). If such incidents teach us anything, it is that IMF orthodoxy forever represents regime maintenance for financial imperialism, even if that requires innovative semantics.

Economically, the overall IMF objective is stabilizing crisis-prone world capitalism on behalf, mainly, of Western financiers. The best rebuttal from Ban and Gallagher: 'Surprising its critics, the IMF has endorsed capital controls.' Yet these are *not* usually controls on outflows and capital flight, instead on hot-money *inflows.* (Only when Iceland and Cyprus were about to default, were outflow bans allowed.) In any case, the IMF's critique of free finance is neither all that new nor all that vigorous, for in the wake of Mexico's 1995 crisis and the 1998 East Asian meltdowns, "capital controls could be acceptable to the IMF, for a transitional phase," conceded then IMF deputy managing director Stanley Fischer. "The IMF recognizes the problem of surges of short-term capital across borders and the need to find ways to deal with that," said Fischer, including Chile's so-called 'speed-bump' against hot-money inflows, a strategy "that needs to be considered" (109).

In 1998, such language was not uncommon, legal scholar Timothy Canova reminds, due to "a very real and growing split within the world of finance" regarding "the use of temporary controls and prudential restrictions on the flow of short-term hot money" (110). Malaysia's exchange controls that year were much stronger: they also halted outflows and speculative currency trading. Yet during a November 2012 Kuala Lumpur speech, Strauss-Kahn's replacement Christine Lagarde was still only willing to concede that in some cases, 'temporary capital controls might prove useful' (111). A dozen years before, an IMF report had already approvingly acknowledged, "The controls gave the Malaysian authorities some breathing space to deal with the crisis" (112). Would a new generation of rising powers have the same effect?

Aside from overestimating internal ideological change at the IMF, Ban and Gallagher misidentify a catalyst: the Brazil-Russia-India-China-South Africa (BRICS) bloc. According to Gallagher, the BRICS 'defend "cooperative decentralization" to regulate capital flows' (113), hence 'the establishment of the BRICS bank might bring competition to the IMF.' That's not how it appears from South Africa, reviewing the recent evidence (114). To illustrate, the BRICS spent $75 billion helping recapitalize the IMF in 2012. The sole mandate for the IMF in the public domain, made by South Africa's finance minister as he prepared the transfer, was a more 'nasty' (*sic*) approach imposed on southern Europe (115).

In July 2014 in Fortaleza, the BRICS launched a 'Contingent Reserve Arrangement' (CRA), that actually *empowers* the IMF (116). Even the eloquent pro-BRICS economist Mark Weisbrot admits: 'Note that CRA currently has a 30 percent provision limit requiring an IMF programme, which is disturbing – and reveals the problem of politics within those five states and whether to adopt a neoliberal or alternative path' (117). That choice was already explicitly made in China, India and South Africa. True, there may still be pressure from the crony-capitalist Russian right and Brazilian social democrats, providing Weisbrot 'whether to' weasel words. But as a unit, BRICS is actually a *subimperial* (not anti-imperial) project (118). It reinforces not only prevailing world financial policies, but also do-nothing-until-it's-too-late climate change mitigation (119). The BRICS represent not 'competition,' but *collusion* in financial imperialism. South Africa's turn towards neoliberalism helps illustrate why that is.

SOUTH AFRICA SUFFERS IMF ORTHODOXY

In Pretoria after 1994, Nelson Mandela's ANC chose to move from apartheid to neoliberalism, instead of to the party's 1955 Freedom Charter (120). The main pressure came from international and domestic financial markets, which insisted upon gradual but ultimately decisive liberalization of the current and capital accounts. What that meant, however, was that any improvements from export-oriented trade policy would be undercut by the outflow of profits, dividends and interest. This income deficit within the current account balance became particularly acute after 2001 when the implications of the largest companies' move away from Johannesburg, mainly to the London Stock Exchange, became obvious.

After the 2008 financial crisis and commodity price crash, the outflow of profits (and current account deficit) was not so destructive for a few years, but by December 2014 the IMF's Article IV Consultation – its main policy advice to countries – warned: "the current account deficit remains high (5.8 percent of GDP in 2013), reflecting persistent competitiveness problems, soft terms of trade, supply bottlenecks, and subdued external demand" (121).

In reality, there was another far more important reason, one that neoliberal Harvard economist Ricardo Hausmann also completely neglected during his December 2014 visit: the unjustifiable outflow of corporate profits, including massive illicit capital flight (122). As for macroeconomic policy advice, the IMF 'called for decisive structural reforms to unblock supply-side constraints, lift growth, and rebalance the economy towards exports and investments… and highlighted that containing the wage bill and raising taxes will be essential.' In sum, renewed commitment to *economic orthodoxy*.

The stance on these matters by John Maynard Keynes was, in 1933, quite explicit: "Ideas, knowledge, science, hospitality, travel these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible, and, above all, let finance be primarily national" (123). South African finance has not stayed within national boundaries, especially after exchange controls were partially lifted in 1995 (124). Most of the largest firms listed on the Johannesburg Stock Exchange emigrated five years later. Moreover, partly because since trade liberalization began in earnest in 1994 South Africans were buying many fewer homespun goods, the result was one of the world's highest current-account deficits.

To cover payments on that deficit, soaring international borrowing signalled what may soon become a sovereign debt crisis. It is important to specify that moderate *local*, rand-denominated state borrowings and tokenistic social spending ratios put South Africa at the low end of the emerging-markets peer group (125). But to cover the deficit on the current account, the foreign debt has risen from $25 billion in 1994 to $140 billion in 2014. Since 2006, the foreign debt/GDP ratio more than doubled from 18 percent in 2006 to the present danger zone of 38 percent, not far off the mid-1985 crisis level at which point the apartheid president, P.W. Botha, had no option but to default.

As a result, the IMF's emphasis on the trade balance as the core of the current-account crisis is misplaced. Over the last five years for which there is full data, from 2009-13, South Africa suffered a nominal aggregate trade deficit of R14 billion ($1.2 billion). In contrast, the nominal net *outflow of profits, dividends and interest* was R315 billion ($27.4 billion). In other words, it's not insufficient trade but *financial hemmorhaging* that creates the crisis; the latter is 21 times more important than the former.

In discussion with the IMF about this, I have encountered an interesting form of denialism. An email from Laura Papi, the IMF official responsible for the South African Article IV Consultation includes this argument:

> We believe that a more useful way to think about the contribution of various components to growing external imbalances is to look at the deviations of those components from their historical "norm" or "trend". Hence it is not so much the "absolute" size of the deficit that is our focus, but the deterioration relative to historical norms, which ultimately reflect policy choices and more binding structural constraints. With that as a context, while the deficit in the income account is relatively large, it has not deviated much from its historical norm of around a deficit of 2 percent of GDP (applying simple HP filter). On the other hand, the trade deficit has deteriorated since 2010, and has deviated substantially from the trade balance "norm", which was much smaller than observed in 2013-2014 (126).

As Ben Fine observed, "the response suggests the long term structural problems can go to hell as long as they do not depart trend!" (127) The trend, in fact, is extremely volatile because South Africa has gone through extremely stressed relations with international financiers. In 1985, the default on $13 billion in short-term foreign loans required Botha to acquire a Swiss intermediary, Fritz Leutwiler (former head of the Bank for International Settlements) to build a coalition of lenders able to roll over and quietly extend new credits. The ANC had, for many years, maintained a threat of non-payment of apartheid liabilities, though in 1993 agreed to service the prior regime's $25 billion in foreign debt instead of holding true to its earlier strong financial-sanctions stance. There is, therefore, such great volatility in the income flow, especially were the IMF to recognize the vast illicit outflows that are unrecorded by a Treasury and Reserve Bank incapable of recognizing reality.

The problem for the IMF is that if the genuine cause of the current-account deficit is even *mentioned*, much less addressed honestly, the next logical question arises: how does South Africa stem the outflow of profits, dividends and interest? There are two logical answers of which Keynes would approve. First, *halt illicit capital flight*, in part by regulating companies like Lonmin or De Beers, as noted earlier. The second obvious solution is capital controls, also known as exchange controls, upon which, said Keynes, "In my view the whole management of the domestic economy depends" (128, p. 149).

This is still correct, 80 years later, and a recent report by University of Massachusetts scholars James Boyce and Léonce Ndikumana reviews various "Strategies for Addressing Capital Flight" from Africa, including non-corrupting exchange controls (129). These ideas, however, remain beyond the realm of polite discourse in a South Africa still suffused with neoliberal macro-economic management and an uncritical business press.

THE WAR OF IDEAS, THE WAR OF POSITION AND THE WAR OF MOVEMENT

The critiques of the Bretton Woods Institutions will have to continue, with more South African voices. From London, Fine offers counsel about how to view IMF reports, stressing the difference "between what is in there and what is not in there." He observes that the post-apartheid restructuring of the macroeconomy

> has been dominated by conglomerate globalization international and domestic financialization (including rates of illegal capital flight exceeding 20 percent of GDP), continued subordination of policy to the imperatives of the minerals-energy complex, and the Black Economic Empowerment creation of a parasitic elite through such restructuring, whether by incorporation within the private sector or largesse of the public sector (especially through mineral rights and tenderpreneurship [a form of crony capitalism through state tenders]). The single most important issue on which South Africa's capacity to make policy depends is the level of investment in the economy, on which and the rest of this, the IMF scarcely has a word to say. Instead, not surprisingly, it merely seeks to continue the policies of the past as (un)usual, not least given their unquestioned "success" and, especially, to liberalize exchange controls further to build up expensively-held reserves in case of volatility (the prospects of which are precisely the consequences of its policies and failure even to address illegal capital flight).(130)

But such critiques, no matter how honest, are simply not strong enough to be heard within the cacophony of neoliberal narratives. The traditional answer to this kind of policy denialism is grassroots activism, such as defeated apartheid in 1994 and defeated the AIDS-denialist refusal to supply ARVs during the first half of Thabo Mbeki's presidency. These lessons of struggle and precedents for victory are vital when it comes to the kind of counter-narratives required now, as well as the explicit strategies and tactics required by the mass of society to fend off austerity. The Bretton Woods Institutions are a vital part of the neoliberal machinery, not just in terms of ideology, but concrete policy advice and loans, as demonstrated in the pages above.

Under such conditions, sometimes a Polanyian double-movement of anti-neoliberal resistance emerges. Even if healthcare and the NHI might not immediately benefit, countervailing pressure appears certain to continue rising from below, with at least five manifestations (131):

- the splitting of Cosatu to the left as nine unions became dissidents, led by the largest, the National Union of Metalworkers of South Africa (Numsa), to the point of its expulsion from Cosatu in November 2014;
- labor unrest in 2014 included a five-month strike in the world's main platinum mines (responsible for 80 percent of world supply) settled with a 20 percent wage increase (with inflation of 6 percent), and a month-long strike of half Numsa's 360,000-strong membership in the metals industry;

- the continuation of 'service delivery protests', including many related to electricity just as a period of black-outs due to undercapacity in the state-owned system began in earnest;
- in December 2014, a new United Front of labor and community activists catalysed by Numsa; and
- the debut of a leftwing party, the Economic Freedom Fighters (EFF), with a dynamic Parliamentary presence (26 EFF members wear red overalls and domestic worker dresses) as a result of 6 percent electoral support won in the 2014 national election, led by the brilliant populist politician Julius Malema, whose self-interest is disruption of the ruling nationalists.

This variety of critical actors is useful, because a multi-faceted critique and wide repertoire of tactics are required in response to the austerity threat. One attempt at the explicit weakening of the World Bank, for example, was referred to by SDCEA coordinator Desmond D'Sa, winner of the 2014 Goldman Environmental Prize for Africa, who played a leadership role in the 400 000-strong People's Climate March in New York in September 2014. At the time, referring to an effort made between 2000 and 2004 to divest major institutional investors from Bank securities, he asked, "Should we again launch a World Bank Bonds Boycott, to get investors to run on the Bank?"(132) Writing in the *Guardian,* Archbishop Emeritus Desmond Tutu in September 2014 repeated his call for climate to be the basis for financial divestment (133). The World Bank is a logical target, since it continues fossil financing (with a major shift now to fracking), carbon trading and other 'false solutions' to the climate crisis – a crisis for which it is inordinately responsible as the world's largest historic fossil fuel lender.

The last time the Bank faced such hostility was when 30,000 global-justice activists gathered at their April 2000 Washington meeting. At the time, independent Johannesburg city councilor Trevor Ngwane – who subsequently co-founded the Soweto Electricity Crisis Committee – taught the crowd 'toyi-toyi' protesting. Inside, Bank board chair Manuel attempted to cover up (not fix) the flaws, as revealed in the SABC Special Assignment documentary *Two Trevors go to Washington* (134). Ngwane and poet – and Jubilee anti-debt campaigner – Dennis Brutus then launched the Bank Bonds Boycott (a campaign which faded when the NGO hosting it in Washington subsequently closed).

What, then, should be done about the Bretton Woods Institutions, especially given so many curious links to South Africa? The Bank and IMF continue to make the world a worse place: socially, politically, economically and environmentally. Since elites don't have the will – or a plan – aimed at genuinely reforming the institutions, since the Bank under Kim appears to be functioning no better, and since the IMF's turn to Keynesianism is so unconvincing, civil society should again be debating options and raising the stakes. In Washington and other cities last October, one such coordinated protest project was named WorldVsBank (135).

South Africa's economic crisis is worsening. And the extreme outflows in the current account and the country's extraordinary inequality together explain why one team is clearly winning the epic class struggle here: capital. But that doesn't mean capital's ideas have merit, or that the deeper problem of neoliberal capitalist ideology undergirding the coming round of austerity cannot be contested.

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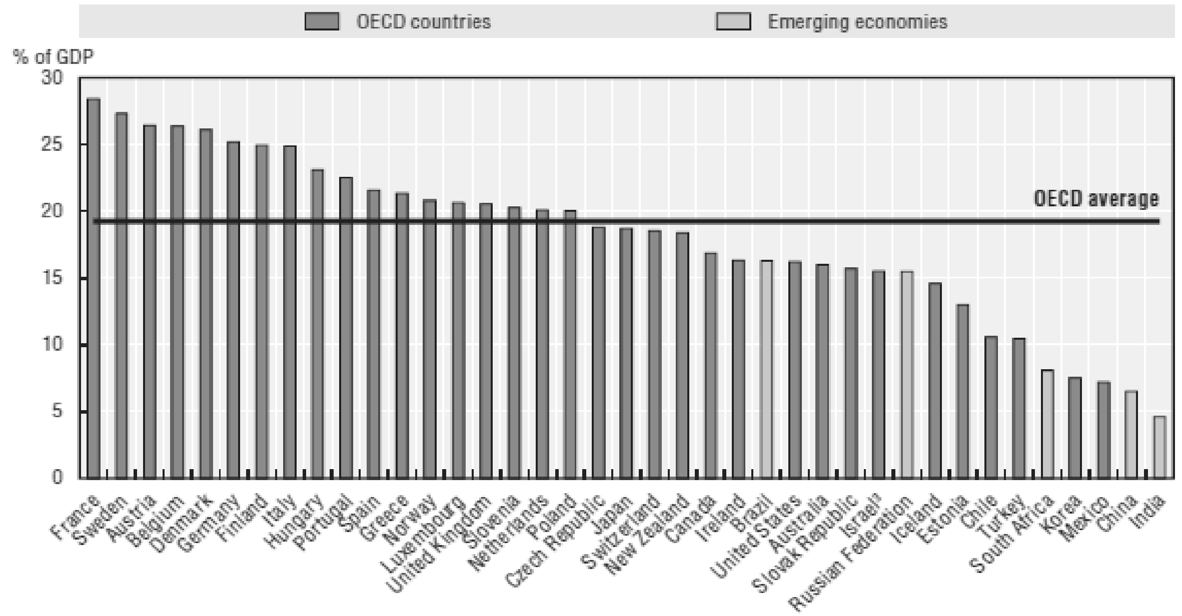
POTENTIAL FIGURES FOR INCLUSION

Figure 0.8. **Public social expenditure in OECD countries and emerging economies**

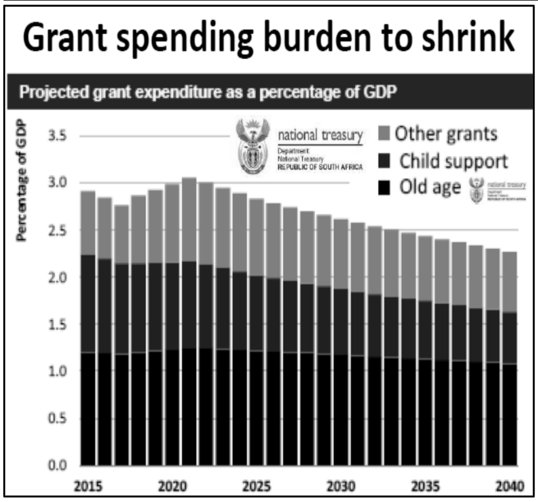
Total public social expenditure, latest year available[1, 2]



1. Data refer to 2007 for OECD member countries, 2005 for Brazil, 2006-07 for India and South Africa and 2008 for China.
2. Policy areas covered include old-age, survivors, incapacity-related benefits, family, health, active labour market policies, unemployment, housing.
3. Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

Source: OECD (2011), *OECD Employment Outlook*.

StatLink http://dx.doi.org/10.1787/888932535546

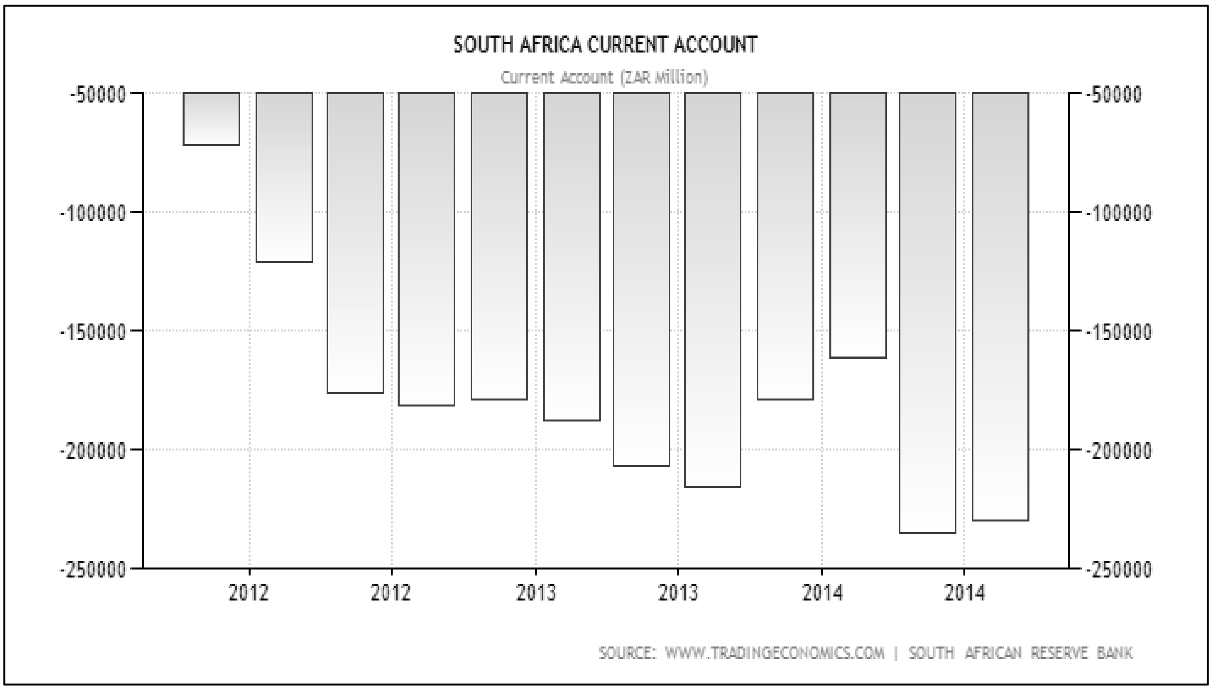


Sources: Organisation for Economic Cooperation and Development (2011), SA Treasury (2014), IMF (2013).

Poverty and inequality indicators at each income concept

Indicator	Market income (1)	Net market income (2)	Disposable income (3)	Postfiscal income (4)	Final income (5)
		Column 1 – direct taxes	*Column 2 + cash transfers*	*Column 3 – indirect taxes*	*Column 4 + in-kind transfers*
Inequality indicators					
Gini coefficient	0.771	0.750	0.694	0.695	0.596

Source: World Bank (2014), Fiscal Policy and Redistribution in an Unequal Society.

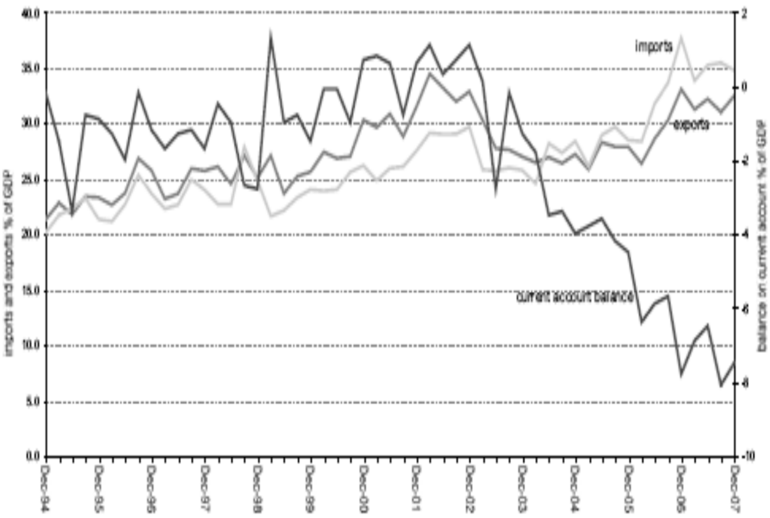


Balance of payments[1]
Annual figures

R millions

		2009	2010	2011	2012	2013
Current account						
Merchandise exports, free on board[2]	(5000J)	503 656	597 098	714 466	743 811	853 715
Net gold exports[3]	(5001J)	52 776	59 499	75 298	71 050	63 887
Service receipts	(5002J)	100 760	102 362	107 825	124 332	136 751
Income receipts	(5680J)	34 075	34 099	38 118	48 501	64 441
Less: Merchandise imports, free on board[2]	(5003J)	554 161	607 044	742 679	854 439	991 186
Less: Payments for services	(5004J)	124 147	134 843	142 230	145 006	158 356
Less: Income payments	(5681J)	87 593	87 022	104 689	121 428	135 765
Current transfers (net receipts +)	(5006J)	-22 428	-16 762	-14 199	-31 369	-30 666
Balance on current account	(5007J)	**-97 062**	**-52 613**	**-68 090**	**-164 548**	**-197 179**
Memo item: Trade balance	(5010J)	**2 271**	**49 553**	**47 085**	**-39 578**	**-73 584**

FOREIGN TRADE AND PAYMENTS



Source: SA Reserve Bank, 2008

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