

**A MACRO-ECONOMIC OVERVIEW OF
GROWTH AND THE ROLE OF FINANCIAL
SERVICES AS A CATALYST FOR INCLUSIVE
DEVELOPMENT –
POLICY ISSUES AND STRATEGIES**

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What are the key issues?

- **ANC YOUTH LEAGUE 23RD NATIONAL CONGRESS
RESOLUTION “ON BANKING AND ACCESS TO CAPITAL”**
 - That we must continue to ensure that the banking industry and financial sector is transformed.
 - The state should regulate this industry and ensure that our people in particular have access to banking.
 - The financing of majority of Black Economic Empowerment deals should be directed on new labour absorptive industrial process and economic activities.
 - The State should establish a State Bank, which will deal with financing of developmental programmes such as housing, transport, infrastructure, and new industries.
 - That all Charters should have as a basic proponent Youth as a key beneficiary and historically disadvantaged individuals.

What are our macro-economic views?

- Consistent with the RDP, Development and redistribution should drive growth, not vice versa.
- RDP says: “Growth, the measurable increase in the output of the modern industrial economy - is commonly seen as the priority that must precede development. Development is portrayed as a marginal effort of redistribution to areas of urban and rural poverty. In this view development is a deduction from growth. The RDP breaks decisively with this approach”.
- It is possible and in fact advisable to drive growth through developmental interventions, which should in South Africa’s context, should be highly labour-absorptive.

How?

- Intensification of developmental programmes—housing, infrastructure, roads, water, sanitation, electricity, building schools, healthcare facilities and recreation centres.
- Labour-absorptive beneficiation of natural resources and industrialisation.
- Increased role of the State in the economy, particularly in the control and ownership of strategic sectors— Our 23rd Congress Resolutions read as follows:
 - The State should control and be in ownership of strategic sectors of the South African economy, including the extraction, production and trade of petroleum and mineral resources, metals, iron ore, steel, coal, water, marine resources and land.
 - The State should control and be in ownership of major transport logistics such as airports and harbours and energy production and all strategic infrastructures for developmental purposes.
 - The State should be custodian of the people in its ownership, extraction, production and trade of mineral wealth beneath the soil, monopoly industries and banks.

Why?

- State ownership and control of strategic sectors of the economy will make it a real developmental State and lead the private sector on other aspects of the economy— industrialisation, and banking norms.
- The State will be considerate of the spatial developmental needs encountering South Africa because of the history of apartheid.
- The State will be able to lead the redress and transformation programmes, because the private sector is incapable of leading transformation in a manner that will undo the injustices of the past.
- The transformation charters adopted on the Financial sector, mining and other strategic sectors of the economy are evidence that the private sector alone is incapable.

What then is the role of the financial sector?

- **SHOULD PROVIDE CAPITAL:**
 - For BBBEE
 - For new industrial development to create more industrial entrepreneurs and not only focus on shareholding and tender entrepreneurs.
 - SMME development.
 - Attainment of skills (education)
 - For research and innovation.
 - Housing development
 - Transportation, including private transport for emerging entrepreneurs and professionals.

IS THE FINANCIAL SECTOR DOING THAT NOW?

• **ABSOLUTELY NO.**

- THE FINANCIAL SECTOR, including BANKS and INSURANCE COMPANIES are not helping our people, in particular the black majority and Africans in particular.
- BANKS only assist in the production of the **INDEBTED MIDDLE CLASS**, which owns nothing and owes Banks lots of money because of Housing and Vehicle Loans and in some instances, many other Loans.
- Those in huge BBEEE deals are indebted for life because they will not be able to pay back the banks in their lifetime.
- They do not fund developmental research and innovation.
- They do not fund new industrial development.
- They do not fund SMMEs.

Public sector financing?

- Public sector financing of industrial developments through IDC, DBSA, Land Bank is also very weak.
- The NYDA is under-funded.
- The National Housing Finance Corporation (NHFC) is useless.
- There are so many objective and subjective reasons why these institutions are failing, but the function of STATE OWNERSHIP is not one of the reasons, because lazy and neo-liberal thinkers always attribute inefficiency to State Ownership.

What is to be done?

- Create a State Bank, either through recapitalisation of Post Bank or creation of a new entity with capacity to provide Housing and Vehicle Loans.
- Shift all public accounts to the State Bank and pay all public servants through this Bank.
- Link the IDC to the State Bank and invest heavily in research and innovation.
- Heavily invest in new industries that beneficiate and industrialise South Africa's natural resources and consider funding import substituting industrial projects (Communication gadgets and electronics).
- Recapitalise National Housing Finance Corporation (NHFC) to fund decent housing development for middle income groups who could not get loans from private banks.
- Pass legislation that limits the repayment of housing loans to 10 Years.
- **INVESTIGATE PRICE COLLUSSION AMONGST THE BANKS AND INSURANCE COMPANIES.**
- Nationalise South Africa's Mines, because Mineral resources remain the backbone of the SA economy.

Why Nationalise Mines?

- Increase the budget of the State for social development purposes, e.g. Health, Education, Rural development, fight against crime and job creation.
- Lay a very firm basis for the country's minerals to be locally benefited and industrialised.
- Change the South African economy from over-dependence and reliance of exporting of natural resources and importing of finished goods and services.
- Create new economic centres of development outside of Johannesburg, Durban and Cape Town. Spatial development plan that decentralises development.
- Could improve the working conditions and salaries of Mine workers.

Conclusion

In a 1957 article by Nelson Mandela said:

- **“The Charter does not advocate the abolition of private enterprise, nor is it suggested that all industries be nationalised or that all trade be controlled by the state...All people shall have the right to trade where they choose, to manufacture and to enter all trades, crafts and professions', says the Charter. The right to do these things would remain a dead letter without the restoration of the basic wealth of the country to the people, and without that the building of a democratic state is inconceivable”, (Mandela, 1957).**