

Perspectives on KwaZulu-Natal

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The basic income grant: benefiting the poor, not only those who are already wealthy

A founding board member of the South African New Economics Foundation and Network, Margaret Legum, was in Durban at the invitation of Diakonia Council of Churches recently. The economist, facilitator, researcher, writer and educator, addressed the issue of overcoming poverty. She has been in the forefront of the search for a new economic system that would benefit the poor, and not only those who are already wealthy.

The national budget, according to Legum, showed that the country had certain 'fundamentals' in place. However, her biggest criticism was that the budget did not deal with poverty. Legum said that it is wrong that more and more resources of this earth should belong to fewer and fewer people. "God created a world of abundance. It is we who create scarcity. It is we who refuse to share. We should be discouraged from anything that creates scarcity."

However, Legum said that we live in an era where our economic system does create scarcity. While there have been advantages to globalisation, the disadvantages include ease by which capital can be moved anywhere in the world just by pressing a button on a computer. However, Legum said that the movement of capital with little restriction has resulted in some bargaining where an investor may invest only under certain conditions. Free trade has resulted in those with technology and size having the greatest advantage over others. "Free trade always benefits people who are already doing well," said Legum. Globalisation has also homogenised things by reducing varieties and diversity. "It concentrates activity where there is already wealth and money," according to Legum.

The global market operates through competition, but internationally competition is based on price. The best possible technology is needed and jobs are lost in order to bring down prices. New jobs are not created for all those that are lost, according to Legum. She said that by 2020 only about 30% of people will be employed, while 70% will be without jobs as we know employment today. Legum said that instead of creating employment for people the world is using up fossil fuels and the resources of the world as if there is no tomorrow and shedding labour.

As a result of the changes fewer and fewer people have more and more resources while the people at the top have so much money that they cannot spend it. "Money is not trickling down. It's being siphoned up," according to Legum.

She regards the problem as being caused by an inability to distribute income. "We operate in a

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context that is toxic to poor people. It is toxic to most of the rest of us too."

Legum advocates the introduction of a Basic Income Grant according to which every month each citizen of South Africa would be given an unconditional grant of R100 without a means test or work requirement. This would start from the day a person is born and would continue until the day the person died. "It is not enough to live well, but it would reduce malnutrition," said Legum. She uses the example of children who live with grandparents who have a pension who have been found through research to be less malnourished than those who live with grandparents who do not receive a pension.

The grant would get the economy going, according to Legum, by enabling people to look for jobs, for example, by being able to draw up curriculum vitas, paying for transport, buying suitable clothes. By receiving the money on a regular basis the poor are also able to plan ways to change their lives in a way that a once-off grant cannot do.

People who earn sufficient money to pay tax would have the grant claimed back during the income tax process. Such people are also likely to benefit from a reduction in crime, which results from people struggling to survive. According to Legum, the price of a universal untaxed grant that was claimed back from taxpayers would be about R28 billion. This, analysts who are in favour of the grant, regard as clearly affordable.

Legum said that some people argue that the basic income grant will create a dependence mentality. Instead she argues that it will "give them a little bit of independence". It is designed to enable people to find ways to seek other income.

Another option Legum said entails the government employing of people for specific tasks such as filling potholes, for example. This, however, is "much more difficult to organise than the basic income grant", according to Legum because there is a lack of managerial capacity. The grant, on the other hand, can simply be paid electronically through a bank account or in cash through a public outlet like a post office. To receive it the beneficiary would only need to show an identification of some sort.

Legum said that the government put a commission together last year to investigate the possibility of the basic income grant. The report was only received in January, which meant that there was no possibility that it would be included in the recent national budget. However, Legum was disappointed that finance minister Trevor Manuel did not mention the issue at all in his budget speech.

While this report is being scrutinised, Legum emphasises the need for more pressure to be put on the national government. The costs of not providing the grant, she said, include the stress and suffering of half of our population, the waste of lives, the hunger of children and their parents, the desperate resort to violence, drugs and prostitution, the loss of self respect and the loss of confidence in our country.

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