

GROWTH AND THE BASIC INCOME GRANT

Margaret Legum

The global Basic Income Grant movement meets for the first time in Capetown - by coincidence one week after our Finance Minister, Trevor Manuel's, Medium Term Budget Policy Statement. How are they connected? The answer has to do with how we understand economic growth.

Minister Manuel is rightly proud of the R30 bn extra taxes the SA Revenue Service has collected from the 4.2% growth increase. It suggests that growth, along the present lines, is working as a policy path. But working for what? And for whom?

Growth can do a number of things. There are many kinds of growth. Growth can be malign (cancer, obesity, gas-guzzling) or benign (universal prosperity, arts and sports, food security). Which of these it promotes over others is not a coincidence, but the result of policy decisions.

The BIEN conference's understanding of economic growth will differ from that currently used by the Minister, who is not alone. Global conventional economic policy-makers and most governments world-wide base their policies on the idea of growth along current lines.

Conventionally, growth is calculated as a gross figure – the sum of the value of all economic activity. It includes things like cleaning up after messes – prisons, oil spills, care for accident victims, climate disasters – as well as eating the natural heritage, like cutting down forests, depleting oceans, using up fossil energy. It does not – as a business would – subtract use of reserves from the productive total.

And it tells us nothing about who gets the result of that growth, let alone what it does to the holistic well-being of people, communities or the environment. That figure of 4.2% does not tell us who is better off, and who/what has lost out.

Disaggregation of that growth figure can, of course, be done: we can find out who has benefited from growth. And we can then decide whether we think that kind of growth is what we want. But on the whole we don't do that. We consider income distribution only when we talk about who gets what in the way of tax concessions and tax expenditure.

But we do know what has happened as a result of growth as now practiced. World-wide, over the past three decades growth has benefited people who live by profits – shareholders – rather than those who live by wages and salaries. Income and asset inequality has grown by leaps and bounds. Incomes at the top have soared to the point where individuals have more money than governments. At the bottom, more and more working people even in the rich countries count as 'working poor', needing outside

income support. The whole of the increase in growth – and much more – has gone to the already rich.

That is the path of growth today. It has reduced purchasing power – demand for goods and services, the ability to buy things – at the lower end of all economies. Producers of everything from apples to cars to dry cleaning compete to sell volumes expanded by digital technology to markets which are falling behind output. There simply isn't the money at the bottom to buy the stuff that can be made; and the people at the top have too much to spend into the economy.

Clearly what is needed is a growth path that will get income into the hands of poor people – rather than one that, as now, sucks resources from the poor to the rich. That vortex effect on our economy – its tendency to suck wealth away from poor people - is what resulted in our government taking radical measures over the past five years – in terms of the huge programme of social grants. Make no mistake: those grants have kept millions alive and coping; without them, destitution would have taken an even worse toll.

Research presented at the conference will demonstrate the wider benefits, world-wide, of getting cash into poor areas and communities – growing livelihoods in the absence of jobs, the effect of cash circulating locally so that local skills can be activated. It is hard for most people to grasp the effect of living in totally cashless communities. The grants have changed that. There is now cash in poor communities: the next stage is how to use it best.

With luck they will also have put to rest the heartless theory that poor people will be made 'dependent' by being given 'hand-outs'. (Unlike rich people who deserve every penny that comes to them!)

Happily, there is a growing world-wide rejection of growth - as now conceived - as a way of reducing, let alone eliminating, poverty. The London-based New Economics Foundation (see www.neweconomics.org) has an excellent new publication, based on global research, called *Growth is not the Answer*. That is not only for the obvious reason that unlimited growth is inconsistent with a planet containing limited resources. It is because the current growth path creates, rather than solving, poverty.

It is very clear that the larger the market in which goods and capital operate, the larger the successful enterprises become. Small enterprise does not survive; mergers and acquisitions are the rule rather than the exception. And all successful enterprise sheds labour. In the age of digital technology, you cannot afford anything but the least labour costs and the highest technology. So large-scale markets reduce the costs of labour and shed it routinely.

Large markets are bad for employment. Large enterprises are also bad for competing local small enterprises. Large supermarkets create an enterprise desert around them; and they are the template for the phenomenon. They are not wicked or cruel; just unavoidable products of the system.

Growth can, and must, be re-focused from the global to the local, from the world-scale to the human scale. Of course not everything should be localised: ship, planes and car building, as well as mining, are obvious examples. But nobody needs to choose between sugar and tea-shirts, tables and carpets from all over the world. When production and consumption are geographically closer, many benefits follow.

Local Economic Development (LED) is now the focus of billions worth of *unsuccessful* effort world-wide. Localisation enables it to take off, because local enterprise is not systemically undercut by global competition. Local food production is labour-intensive, healthier and more food secure. Local renewable energy is sustainable, cheaper and within local control. Greater self-sufficiency builds security, in relaxed and healthy communities, where children flourish and crime diminishes. Well-being, as now being measured by new economists, increases.

The planet benefits from growth that limits carbon emissions that are released when global trade criss-crosses the skies and multiplies air-miles. Low carbon economies will mean new ranges of employment, new technologies and labour-intensiveness.

We are at a cross-roads. Will we continue on a path of growth that feeds rich people and sees grants as band-aid for poor people; or will we define growth so that it backs the intrinsic creativity of people now forced to live in poverty? Will we understand basic citizens' incomes and grants, not simply as a means to keep people alive who are driven to the edge by the economic system, but as a creative way for successful economies to enable local, sustainable, equitable distribution of income and people-scale prosperity?

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