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In this issue

Red Alert

Capitalism's relationship with the planet

By Cde Ben Martins

The novel coronavirus (Covid-19) pandemic and the subsequent lockdowns in countries throughout the world, from China, Italy, France, the United States of America (U.S.), and from India to South Africa, have highlighted how the reduced presence and activity of human beings and the scaled-down capitalist production has given the world ecosystem a brief respite.

In India the Himalaya Mountains and blue skies have been clearly visible after having been obscured by veils of grey fog for decades.

In South Africa's Kruger National Park lions were sighted lying down sun-bathing on the tarmac of roads that are normally busy with tourists clicking-away at the wildlife, flora and fauna with all sorts of cameras.

The afore going begs the question of what societies have to do differently in the post-lockdown period to fashion sustainable livelihoods while at the same time living in harmony with nature as far as possible.

Capitalism by definition is an economic and political system in which all or most of the means of production and distribution, such as land, factories, communications, and transportation systems are privately owned and operated in a relatively competitive environment through the investment of capital to produce profits.

Capitalism has been characterised by a tendency toward the concentration of wealth, the growth of large corporations, and so on, that has led to economic inequality, which has been dealt with usually by increased government action and control.

In summary, capitalism is an economic and political system in which a country's trade and industry are controlled by private owners for profit, rather than for the common good through the state.

A Marxist orientation encourages the questioning of the basic narratives of the world, namely to connect past developments with present concerns, and not to be afraid of controversial issues.

This demands a disposition in line with that of the Greek philosopher, Socrates, who in the quest of knowledge questioned everyone and everything, and concentrated on the facts of living. In what people actually experience in their lives as opposed to abstractions.

Social scientists like Engels[1] and Harari[2] argue that with the domestication of animals and the advent of agriculture it became possible for human beings to create more than the bare minimum that they needed to survive. And with a change in social forces comes a change in the conception of the family, commune and social relations.

The rise of class society came with the rise of inequality between those who accumulated wealth and those who did not, and also between men and women.

As the demand for surplus increased, so did the demand for labour.

Harari's timeline of history, which covers the Cognitive Revolution, the Agricultural Revolution, the Unification of Humankind, and the Scientific Revolution, more than mirrors Engels' articulation of the development of society from the primitive commune to feudalism and nascent capitalism.

Capitalism's impact on the relationship between humanity and nature foregrounds the vexed issue of climate change, which is an alteration in global or regional climate patterns, in particular a change apparent from the middle to late 20th century onwards and attributed largely to the increased levels of atmospheric carbon dioxide produced by the use of fossil fuels such as coal and oil.

Global warming is the ongoing rise of the average temperature of the earth's climate system. It has been demonstrated by direct temperature measurements and by measurements of the various effects of the warming.

Carbon dioxide (CO_2) in the atmosphere has increased steadily over a period of hundreds of thousands of years but it spiked after the Industrial Revolution in the 18th century, which marked a process of change from an agrarian and handicraft economy to one characterised and dominated by industry and machine manufacturing. This process began in Britain in the 18th century.[3]

Since the 1950's the emission of CO_2 into the atmosphere has increased dramatically from year to year as the rat race of production increased at a break-neck speed to power factories, aero planes, homes and cars, and to make super profits for monopoly capitalists.

Another critical factor to be considered is the fact that the world population has tripled in the past seventy years, with the result that humans are consuming more and more products and also consuming the animals like cows that release methane gas into the atmosphere. When sunlight gets into the atmosphere, some of the heat gets trapped and the earth gets warmer. This is what is called the 'Green House

Effect'. The concern is that the earth is getting warmer far too quickly. Concern was expressed in a United Nations (U.N.) report that the earth is one degree warmer than it was in the year 1800 prior to the Industrial Revolution.

The adverse effects of climate change are that millions of people are likely to suffer worsening food and water shortages.

On the other hand, sea levels are rising by approximately three millimetres per year because sea water expands as temperatures get warmer, melting ice sheets and glaciers thus adding trillions of tons of freshwater into the oceans. As a result, millions of people around the world are losing their homes to rising sea levels as is presently evidenced in Indonesia's current capital, Jakarta. Indonesia's new capital will be built on the island of Borneo.

Furthermore, entire coastal cities like Miami in the U.S. and Osaka in Japan could be under water within eighty years. And the entire island nations of Melanesia, Micronesia and Polynesia in the Pacific Ocean could completely disappear.

It is critical to note that natural disasters are becoming more and more intense and more frequent with drastic consequences. Also the dramatic impact of drought in Africa and other parts of the world is a serious threat to humankind.

The nub of the issue, the cardinal question is: 'Is enough being done to mitigate the ravages of capitalist production?'

The 2016 Paris Agreement is an agreement within the U.N. Framework Convention on Climate Change dealing with greenhouse gas emissions mitigation, adaptation, and finance. The agreement was signed in 2016 by 195 countries.

Signatories pledged to endeavour to curb the rise of the earth's temperature by 1.5 degrees Celsius or a maximum of 2 degrees Celsius before the year 2100.

Countries were allowed to set their own targets on how much CO_2 they emit.

Unfortunately in the year 2019, three years after the agreement was signed, global CO_2 levels were still going up.

Matters were made worse when president Donald Trump decided to withdraw the U.S., one of the biggest polluting countries in the world, from the Paris Agreement.

There has also been disquiet about China and Russia's CO_2 reduction targets, which are viewed as inadequate.

Turkey's and Poland's intensions to build more coal-fired power stations have also been frowned upon.

The shimmer of hope is that worldwide, there is a growing understanding that climate change and global warming are the crises of our time – that are putting millions of lives at risk.

Climate Action is everyone's responsibility. There is thus a need, for governments, political parties, businesses, trade union federations, communities, churches, non-governmental organizations and Individuals, to take action to reduce national CO_2 footprints. This requires a shift to, and investment in green technologies that can create new-fangled jobs.

CO_2 emissions from millions of cars, industries and power plants are the ravages caused by unmitigated capitalist production and inflicted on humanity and nature.

This cannot, and should not be allowed to continue.

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Safeguard our hard-won democratic national and policy sovereignty, our fundamental right to self-determination:

Facts about the business of IMF 'Emergency Financing'

By Cde Alex Mashilo

The mainstream media is awash with news reports and opinion pieces in favour of conveying South Africa to the international financial institutions based in Washington, D.C., the United States (U.S.). The news reports are driven from an angle that gives no space to a critical voice, and are therefore one-sided and embedded. Meanwhile, many of the opinion pieces are, likewise, uncritical of the International Monetary Fund (IMF) and World Bank. In some of the opinion pieces, insults are in fact hurled at those in the SACP, Cosatu and the ANC who are critical of the two Bretton Woods institutions.

It is a fact that the IMF and World Bank are notorious of imposing a despotic regime of policy measures, known in critical literature by the name of their ideology, neoliberalism, or by the dominant imperialist influence they drive, the 'Washington Consensus'. As the literature shows, the IMF and World Bank not only did more harm than good but also rolled back independence in many situations, replacing it with increasing imperialist penetration and domination, and also undermined, subordinated or subverted national democracies.

In Africa, there is no single country since independence from direct colonial rule that can be given as an example of a country that was lifted out of national and global poverty, unemployment and inequality, and developed as a result of IMF as well as World Bank control by means of their 'structural adjustment programmes' or 'structural reforms' – in two more direct words, by means of their *lending conditionalities*.

Latin America, likewise, also suffered greatly, with the worst examples such as Argentina.

Very recently, following the Great Recession of 2008, but this time in Europe, Greece suffered a major blow as a result of the IMF. In 'IMF admits: We failed to realise the damage austerity would do to Greece', *The Guardian* had to correctly report: 'The International Monetary Fund admitted it had failed to realise the damage austerity would do to Greece as the Washington-based organisation catalogued mistakes made during the bailout of the stricken eurozone country'. A mere admission of wrongdoing if an apology, and for that matter not on every policy item in the whole rotten bag, will not fix the damage caused. Greece was perhaps honoured with the admission, unlike the African and Latin American countries that never saw any.

The IMF is not a liberation movement. Approaching it is completely unlike the radical democratic breakthrough that we achieved in South Africa in April 1994. In other words, it is utter absurdity, and an insult to our struggle for liberation and social emancipation, to even suggest that it is a 'hallelujah moment'. Indeed we live in a dangerous time compounded by the global spread of the novel coronavirus (Covid-19) pandemic.

Urging a 'great deal of caution' on the IMF and the World Bank in an *Umsebenzi Online* Red Alert (Vol. 19, No. 13, 4 May 2020), Cde Jeremy Cronin concludes the key point by correctly writing: '…in short, using current jargon', we need to wear full face-masks, protective gloves, and a risk-adjusted vigilance appropriate to a level 5 Covid-19 lockdown danger'.

Below follows a brief review of IMF 'Emergency Financing' facilities. Read properly, it does not take a rocket scientist to see that the IMF demands conditionalities under each of its three lending emergency lending facilities, contrary to the propaganda spread in the mainstream media. The three facilities are, namely the IMF 'Rapid Credit Facility', 'Rapid Financing Instrument', and 'Catastrophe Containment and Relief Trust'. For that matter, the key source of the facts about these facilities is the IMF[4] itself.

IMF 'Rapid Credit Facility (RCF)

The IMF's RCF is a 'zero interest rate' facility, but is accompanied by so-called 'limited conditionality'. It is meant for low income countries (LCDs).

What are those 'limited conditionalities' and their extent is relative. After all, such are in the ultimate analysis more the IMF's decisions and less likely the decisions of the affected countries. What is 'limited' especially in the view of the IMF could be major for the affected countries, depending on their strengths and weaknesses.

Nevertheless, South Africa is NOT even an LCD – it is an upper middle income country.

IMF's 'Rapid Financing Instrument (RFI)

The IMF's RFI is <u>NOT AN INTEREST-FREE FACILITY</u>. It is, according to the IMF itself, a 'low-access financial' facility. It is meant for '<u>all</u> countries with urgent balance of payments need'. The RFI covers situations of 'commodity price shocks, natural disasters, conflict and post-conflict situations, and emergencies resulting from fragility.'

It is 'a single [access finance]... mechanism... The RFI is designed for situations where a full-fledged economic program is either not necessary nor feasible.'

- Take note. The above wording by the IMF (especially reference to 'situations where a fully-fledged economic program is either not necessary not feasible' as a pre-condition of eligibility) DOES NOT necessarily mean that it does not demand any economic programme. Further, whether an IMF economic programme is not necessary, or whether it is not feasible, is more an IMF assessment or decision, and less an assessment or decision by the affected country. This deduction is based on the unpleasant history of the IMF[5].

- The meaning attached to the word history here refers not only to the unpleasant past history of the IMF, the history of the conditionalities that it has imposed on many countries to drive a neoliberal policy regime. The meaning covers the history of the current devastation in those countries as an outcome of that past IMF history. Finally, the meaning includes the unpleasant present continuous history of the IMF. Very recently, for example, and within the Covid-19 crisis situation, the IMF placed conditionalities on Nigeria that undermine the country's sovereignty by way of prescribing neoliberal policy measures, demanding that Nigeria should dismantle sovereign policies that the country in the right frame of its mind found to be suitable to its national conditions.[6]

- Further, while a 'one-off purchase' facility, a repeat borrowing under the IMF's RFI is allowed 'within any three year period', '*if balance of payments need is caused primarily by an exogenous shock* or **the country has established a track record of adequate macroeconomic policies**, including through a staff monitored program, prior to the request.' There are three preconditions in this line. The first is *italicised*, the second formatted in **bold**, and the INCLUSIVE third underlined, in added emphasis. These are eligibility preconditions for a repeat 'purc*hase' – indeed this is business, rather than assistance. Again, wheth*er a **country has 'established a track record of adequate macroeconomic policies'** is in the ultimate analysis more an IMF assessment or decision to make, and less an assessment or decision by the affected country. The word preconditions is used here to refer to the preliminary conditions as a gateway, as mere eligibility conditions for the borrowing ('a repeat 'purchase') under the RFI facility. That is, they are not yet the conditionalities that the IMF will place on a country after gaining entry through the gate. This is revealed in the next point.

'As under the RCF, in addition to the provision of emergency assistance under the RFI, the Fund may also provide technical to build the country's capacity to implement comprehensive macroeconomic policies. Areas of focus may include building statistical capacity and establishing and organizing fiscal, monetary, and exchange institutions to help build tax and government expenditure capacity, payment, credit, and foreign exchange operations', according to the IMF.

- Take note of the declared assumption, by the IMF, of the sovereign state functions: '…establishing and organizing fiscal, monetary, and exchange institutions…'

Catastrophe Containment and Relief Trust (CCRT)

The IMF's CCRT is 'relief' in the form of '**grants for debt relief for the poorest and most vulnerable counties** <u>hit by catastrophic natural disasters or public health disasters</u>'. There are two pre-conditions in this line. The first is formatted in **bold** and the second <u>underlined</u>, as an added emphases. There is much conditionality placed under these eligibility preconditions.

After all, South Africa is NOT classified under 'poorest and most vulnerable countries...' – it is an upper middle income country.

The ANC and Alliance's historical position on the IMF and World – 'Ready to govern' and 'Reconstruction and Development Programme'

There are two quotations circulated in the discussion regarding the IMF and World Bank, in a revisionist approach to the shared historical stance of the ANC and the Alliance. This is doing rounds in instant messenger groups such as WhatsApp. The quotations are extracted and abstracted from the broad thrust of the 'Ready to Govern' and the 'Reconstruction and Development Programme' (RDP). It is therefore necessary to present them clearly:

> '**Ready to Govern**' (1992)
>
> 'Relationships with international finance institutions such as the World Bank and the International Monetary Fund will be conducted in such a way as to protect the integrity of domestic policy formulation and promote the interests of the South African population and the economy. Above all, we must pursue policies that enhance national self-sufficiency and enable us to reduce dependence on international financial institutions. Further, we will introduce measures to ensure that foreign, non-governmental aid supports the national development strategy'.
>
> **RDP (1994)**
>
> 'There is a need for an overall foreign debt strategy. The RDP must use foreign debt financing only for those elements of the program that can potentially increase our capacity for earning foreign exchange. Relationships with international financial institutions such as the World Bank and International Monetary Fund must be conducted in such a way as to protect the integrity of domestic policy formulation and promote the interests of the South African population and the economy. Above all, we must pursue policies that enhance national self-sufficiency and enable us to reduce dependence on international financial institutions. Further, we must introduce measures to ensure that foreign governmental and non-governmental aid supports the RDP'. (RDP, 1994)

There is <u>ABSOLUTELY NOTHING</u> in the two quotations that justify conveying South Africa to the IMF and World Bank, the only two international financial institutions mentioned in the quotations with an explicit policy stance towards them. That is, with added emphasis, the common caution that we must '*protect*', against the IMF and World Bank as mentioned explicitly, '*the integrity of domestic policy formulation and promote the interests of the South African population and the economy*'. It is also imperative, relative to all other international finance, to underline, also with emphasis, another operating phrase that is common in the two quotations: '*Above all, we must pursue policies that enhance national self-sufficiency and enable us to reduce dependence on international financial institutions*'.

Moreover, the 'Ready to Govern' quotation clearly refers to, also with added emphasis, '*foreign, non-governmental aid*…' There is a big difference between an **AID** and a 'purchase' of a loan from the IMF or World Bank – South Africa is already caught up in a World Bank debt trap via Eskom, which is one of the key challenges we need to overcome. If that was an **AID** we would not be caught up in the debt trap and facing, as a result, rising electricity costs as part of Eskom's corporate strategy to raise revenue for repayment. Similarly, the quotation from the RDP categorically refers to 'foreign governmental and non-governmental aid'. The word **AID** is self-explanatory – even school children do not need to search for its meaning in a dictionary and distinguish it from what the IMF refers to as a 'purchase' – of its loan.

When you refer to the RDP, many people nowadays think of RDP houses, rather than the whole programme – what the whole RDP document says. The reason is that the RDP was jettisoned in 1996 and replaced with the GEAR, the economic policy named Growth, Employment and Redistribution in full. Nonetheless, it became necessary to clarify what actually the RDP document says.

Conclusions

- A loan from the IMF is NOT a loan to the persons who may be involved in a given country in approaching the Fund using their positions of authority . It is a loan to the entire population of the country and is binding not only on its current but also future generations. Off the IMF now.

- In general, it is reasonable in a democracy for international finance to be subject to consultation for collective scrutiny as an imperative to safeguard hard-won democracy, national and policy sovereignty, fundamental right to self-determination, a country's independence. These are hard-won rights and matters of non-negotiable principle in our case. This conclusion is based on the revolutionary principle of collective leadership. It is about transparency and accountability, and is meant to ensure that no international borrowing (IF ABSOLUTELY NECESSARY) usurps, undermines, subverts or subordinates, in any manner whatsoever, our hard-won democracy, democratic national and policy sovereignty, fundamental right to self-determination, our national independence.

- There are other important questions that need deeper examination, such as: In which currency is any international debt being offered or denominated? What is our currency exchange rate relative to that currency? What impact does that have, both now and going forward? Is there a likelihood of any conditionality being brought in at a later stage, as it happened in other countries when they faced a situation where they could not pay back the money or where they faced a default possibility?

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End notes

[1] Friedrich Engels (1884) *The Origin of the Family, Private Property and the State*
[2] Yuval Noah Harari (2014) *Sapiens: A Brief History of Humankind*
[3] Friedrich Engels (1845) *The Conditions of the Working Class in England*

[4] IMF Rapid Credit Facility (RCF):
https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/21/08/Rapid-Credit-Facility;
IMF Rapid Financing Instrument (RFI):
https://www.imf.org/en/About/Factsheets/Sheets/2016/08/02/19/55/Rapid-Financing-Instrument;
IMF Catastrophe Containment and Relief Trust (CCRT):
https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/49/Catastrophe-Containment-and-Relief-Trust.

[5] See, Imad A. Moosa and Nisreen Moosa (2019) *Eliminating the IMF: An Analysis of the Debate to Keep, Reform or Abolish the Fund*;
Ernst Wolff (2014) *Pillaging the World: The History and Politics of the IMF*;
Richard Peet (2003) *Unholy Trinity: The IMF, World Bank and WTO*; to name but a few examples.

[6] See, for example, *Nairametrics* (30 April 2020) 'IMF list unpopular policies CBN [(Central Bank of Nigeria)] must reverse'; https://nairametrics.com/2020/04/30/imf-list-unpopular-policies-cbn-must-reverse/

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