

Organised Labour Submission:  
Government Budget Planning Dialogue:  
The Role of Fiscal & Monetary Policy in  
Promoting Growth

Nedlac  
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# Introduction

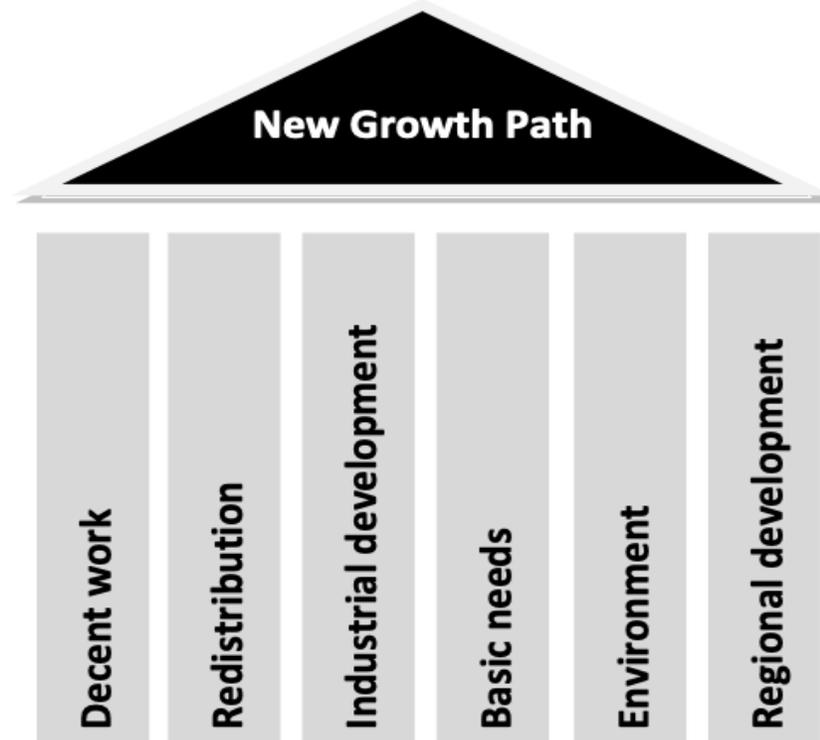
- **Trade liberalization**, which has led to 350 000 job losses in the secondary sector and de-industrialisation
- **Financial liberalisation**, which has contributed to massive capital outflows and increased the country's vulnerability to short-term capital flows
- **Labour market deregulation**, which has increased precarious work as a form of income for the working class
- **A limited role for the state**, which introduced profit-making in the delivery of basic goods

# Introduction

- **Fiscal austerity**, which collapsed economic growth and fuelled unemployment in the late 1990s, has generated a pro-cyclical fiscal policy thereby constraining the ability of the state to deliver on basic goods and services and to deliver decent work.
- **Tight monetary policy**, particularly inflation targeting, which caused real interest rates to exceed the growth rate, thereby producing explosive public debt
- **Central bank independence**, which robs the public of a critical instrument for development and delinks monetary policy from democratic processes.



# The Six Pillars of the New Growth Path



Source: COSATU growth path

# Redistribution is key

## **Redistribution must inform:**

- Fiscal Policy
- Monetary Policy
- Industrial development
- Collective forms of ownership
- The development of the Southern African region
- Environmental sustainability

# Fiscal Policy

- The tax system, the composition of expenditure and the financing of the budget must be informed by the need to redistribute income and wealth.
- Redistributive fiscal policy will mobilize the resources to deliver social infrastructure (education facilities, health facilities, housing, water and sanitation, energy).
- Such a fiscal policy will also deliver economic infrastructure to support industrial development, and will also deliver comprehensive social security.
- In delivering these basic goods and services, the state will create decent work.

# Monetary Policy

- Interest rates and credit allocation must promote a redistributive agenda.
- Through redistributing the social surplus from financial speculators and rentiers to industrialists through concessionary finance, quantitative controls on the financial sector and management of the exchange rate, inserting tax- frictions on financial transactions, monetary policy will support industrial development
- A redistributive monetary policy will also support housing and developmental infrastructure finance.
- Monetary policy must be co-ordinated with fiscal policy and must be geared towards support for an expansionary fiscal stance.