

Memo on the Evaluation of the Community Work Program (CWP)

[Note: For a basic introduction to CWP see the website of the International Labour Organization www.ilo.org. Search under “South Africa” and “Community Work Program”]

Jeremy Cronin wrote:¹

“As German economist Wolfgang Streeck puts it, at play is a systemic contradiction between two conflicting principles of resource allocation –one operating according to “merit” by the free play of market forces, the other based on social need `as certified by the collective choices of democratic politics ... Under democratic capitalism governments are theoretically required to honour both principles simultaneously, although substantively the two almost never align.’

“This underpins the vacuous churn in many liberal democracies. Governments failing to honour democratic claims for redistribution are punished electorally. Those failing to obey the market’s `iron laws´ are punished by disinvestment with the same electoral result.

“Political tinkering within this sterile damned-if-you-do, damned-if-you-don’t predicament leads to popular disillusion with formal politics, or even dangerous demagogic, neo-fascist, ethnically chauvinist politics on the rise in much of Europe. What is required is a democratic politics of structural transformation....”

In these few words Cronin poses THE problem of our times. It is not A problem. It is THE problem. I permit myself to use the definite article in capital letters because if we cannot solve this problem, then we cannot solve our other problems. Its solution would be a key to open solutions to other problems; failure to solve it is a lock that closes off solutions to other problems.

Here GOVERNABILITY is at stake. If capital by disinvesting can undermine any set of government policies –concerning ending poverty and inequality, concerning the environment, or concerning any other issue—then government cannot govern. Cronin mentions government policies directed to meeting social needs that involve redistribution of resources. Those are the sorts of policies that typically lead to disinvestment, with its sequels of fewer jobs (which implies more crime), less production, higher prices, shortages of goods... The ship of state sinks.

Cronin mentions the roots of THE problem in the “iron laws” of the market. It is the market that requires that profits be kept high and risks kept low in order to keep the economy running. But such economic considerations do not tell the whole story. As Michael Kalecki

¹ Jeremy Cronin, “No room for complacency for ANC and alliance partners.” *Cape Times*. May 10, 2014. Jeremy Cronin is currently the Deputy Minister of Public Works responsible for CWP and other public employment programs.

astutely observed, capital will disinvest even when investment would be profitable when it does not like the political situation.²

Latin American experience abundantly confirms that disinvestment can be politically motivated. For example, as we speak a political battle is raging in Argentina pitting the large farmers against the progressive government of Cristina Kirchner. The farmers oppose the heavy taxes on agricultural exports that the government levies to finance its programs.³ Hence although at one level THE problem is about the normal the tendency of a market economy to slow down whenever profits fall, at another level it is about politics

If Cronin has correctly named the solution to THE problem as democratic structural transformation –and I think he has—then it would be important to evaluate CWP or any social measuring its contribution to democratic structural transformation.⁴

We need to be careful. THE problem is fundamental. Mistakes made in trying to solve it can be fundamental mistakes. One of the most common mistakes is to see THE problem as essentially a matter of seizing power. It is assumed that the root of THE problem is the wrong people having power, and that if only the right people, or the mass of the people as a whole, had power they could use their power to solve the problem.

History records a number of times when people won political power who were committed to solving the problems of capitalism either by eliminating it altogether or by substantially modifying it. In Russia, China, Vietnam, and Cuba the left won military victories and established dictatorships in the name of the working classes. They imposed central planning. It did not work.⁵ In Sweden and in most of Northwest Europe the centre-left tried to solve THE problem with a welfare state financed by taxes and other measures commonly called social

² Michael Kalecki, "Political aspects of full employment." Originally published in *Political Quarterly* 1943. Available at www.mrzine.monthlyreview.org/2010/kalecki

³ In the heat of ideological warfare many Argentines deny that the money from taxes on agricultural exports is used to fund social programs. They see the money going into the pockets of corrupt politicians and used to buy votes. Some say that the Peronist party deliberately keeps the poor poor in order to assure itself a mass base of electoral support. (based on recent personal conversations in Argentina)

⁴ Here I am taking a stand on a point in the theory of evaluation. I take evaluation to be about determining the worth of what is evaluated. This implies that program evaluation is not only about whether stated objectives are achieved, but also about unexpected successes and setbacks, emergent objectives, and overall impact. See Michael Scriven, *Theory and Practice of Evaluation*. Inverness CA: Edgepress, 1987.

⁵ E. Hewett and V. Winston (eds.) *Milestones in Glasnost and Perestroika, Volume 2: The Economy*. Washington DC: Brookings Institution, 1991; C.A. Thayer, "Vietnam: The Tenth Party Congress and After." *Southeast Asian Affairs*. 2007. Pp. 381-397; Y. Qian, "The Process of China's Market Transition (1978-1998). *Journal of Institutional and Theoretical Economics*. Volume 156(2000), pp. 151-171.

democratic. That did not work either.⁶ In the former Yugoslavia the ownership of enterprises was vested not in private capital and not in the state but in the assembly of the workers of the enterprise. That did not work.⁷

Today the BRICS countries, Brazil, Russia, India, China, and South Africa are learning from the past and finding new ways to shape the economy to make it work for the common good. The same can be said of the progressive Latin American democracies and of minority social movements in Europe, the USA, Canada, and Australia. CWP can be counted as one of the new ways to shape the economy to make it work for the common good. It is a step toward democratic social transformation.

One approach to giving concrete meaning to the rather abstract concept of “democratic structural transformation” is to pay attention to the question, “What exactly is the key problem for which democratic structural transformation is the solution?” The text from Cronin quoted above suggests an answer: Democratic structural transformation leads to governability. It frees democratic decision-making from duress. It removes the threat that redistribution will lead to economic slowdown or collapse.⁸

Before going on, let us take a moment to rule out neoliberal solutions to these dilemmas. They are the most obvious solutions and the ones nowadays most frequently practiced. In brief, they consist largely of providing incentives for investors. Investors are offered low taxes or tax exemptions, disciplined labour, infrastructure provided at public expense, an educational system geared to teaching the competences that employers are looking for, law and order, easy repatriation of profits, subsidies, few and simple regulations, and so on. Governments frankly admit that their goal is to attract investment. They compete with other governments who also want to attract investment.

There is a gaping hole in neoliberal reasoning –famously analysed by John Maynard Keynes—which makes it futile to expect full employment from gilding with ever more gold the welcome mat for investors. Keynes called the gaping hole “a chronic insufficiency of effective demand.”⁹ The bottom line is that however gilded the offers government makes to capital,

⁶ Howard Richards and Joanna Swanger, *The Dilemmas of Social Democracies*. Lanham MD: Rowman and Littlefield, 2006; John Nicholas Gray, *After Social Democracy*. London: Demos, 1996. M. Matthijs, *Ideas and Economic Crisis in Britain from Atlee to Blair (1945-2005)* London: Routledge 2010.

⁷ Susan Woodward, *Socialist Unemployment*. Princeton NJ: Princeton University Press, 1995.

⁸ I do not have space to discuss the views of people who unlike myself posit a trade-off between redistribution and growth, with more growth meaning less redistribution and more redistribution meaning less growth. However, I believe that some of my later remarks can be transposed into recommendations for improving the terms of such a trade-off.

⁹ Keynes’ argument is based on a “liquidity preference” that measures how much of their income people prefer not to spend. The result is a chronic lack of buyers. Two decades earlier Rosa Luxemburg made a similar argument based on the impossibility of the mass of the people having enough money to buy all the products their labour produces. For her pushing for more investment only makes the problem worse in the long run since if productive capacity is underutilized now for lack of customers, then the even greater

capital will only come if there is money to be made selling products. Both logic and history show that consumer demand is not strong enough to motivate investors to keep investing and hiring workers until everybody who needs a good job has one. They stop long before that.

Assuming that the neoliberal project of creating employment by doing everything in the power of government to raise the profits and lower the risks of investors is at most only partly feasible, we return to questions about how to meet the social needs that such an approach does not meet. We return to the dilemmas of governments that want to redistribute wealth but fear that if they redistribute on any considerable scale their economies will be sabotaged by disinvestment.

If a government fights poverty and inequality with redistributive measures, including public employment programs, how does it make peace with private capital? How do you persuade capital to invest and dissuade it from disinvesting at the same time that you are levying more taxes on business, establishing minimum wages, enforcing labour laws, backing unions, and requiring green technologies? Before reframing and then answering these two questions let me first remark on an ambiguity in the word “capital.”

The word “capital” refers to money and to things that are used to turn money into more money. An ambiguity arises when we attribute action to capital, when we say that “capital” does something. We may mean that there is a more or less defined group or class of people who choose to do something. But we also may attribute the action to the “iron” laws of economics, such as the law of supply and demand or the necessity to make a profit. In the latter case people do what they must do, regardless of what they may want to do and regardless of what they may believe to be the right thing to do. “Capital” is conceptualized as an historical force of which individuals are only agents. Its inevitable motions produce inevitable consequences as long as the institutional framework of capitalism is what it is.

It is best to keep both interpretations of “capital” in mind. On the one hand its actions stem from the choices of people; on the other hand its actions are determined by the rules of the game the people are playing.

THE problem and the two questions above can now be reframed as: How to defeat capital (on both interpretations of “capital” sketched above) by depriving it of its veto power over public action, while at the same time working with capital so that it will continue to produce goods, services, and employment?

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productive capacity that new investment will create will have an even harder time finding buyers for its products.

I want to discuss CWP in the light of these larger issues. I want to shed light on these larger issues by discussing CWP.

Public employment is a giant step forward toward solving THE problem. It is democratic structural transformation. I back this point up with a quote from Michael Kalecki: “Under a laissez-faire system the level of employment depends to a great extent on the so-called state of confidence. If this deteriorates, private investment declines, which results in a fall of output and employment (both directly and through the secondary effect of the fall in incomes upon consumption and investment). This gives the capitalists a powerful indirect control over government policy: everything which may shake the state of confidence must be carefully avoided because it would cause an economic crisis. But once the government learns the trick of increasing employment by its own purchases, this powerful controlling device loses its effectiveness.”¹⁰

Governability increases and the veto power of capital diminishes when capital ceases to have a monopoly on creating employment.

The stakes are high. They are even higher when one considers that CWP is designed as a pilot program –as a prototype and as a builder of infrastructure—leading to a true employment guarantee. The ideological warfare can be expected to be intense, as it was in the case of the now terminated Argentine employment guarantee, and as it now is in the case of the Mahatma Gandhi National Rural Employment Guarantee in India.

As is usually the case in ideological warfare the deep underlying issue –in this case the democratic structural transformation of South Africa—is less decisive for the outcome of the battles than issues lying nearer to the surface and more visible to the public eye – in this case corruption and waste.

The South African motorist is also a South African taxpayer and a South African voter. When the motorist drives by a flock of CWP workers in their orange uniforms lounging alongside the road, leaning on their tools, chatting, and taking naps, she or he may well say to herself or himself, “That is where my tax money is going!” The CWP workers for their part ought to be saying to each other, “Look sharp and act lively! The boss is watching!”

At the top of the list of factors to measure in the evaluation of CWP should be the question, “Are the participants doing useful work?” Even more important: “Are they *perceived* as doing useful work?”

When I write “evaluation” I refer primarily to “formative” evaluation for the purpose of providing feedback for ongoing operations. I refer secondarily to “summative”

¹⁰ Michael Kalecki op. cit.

evaluation for the purpose of assessing the extent to which the program as a whole is a success or a failure.¹¹

“Corruption” is a broad term. Although all government programs, especially in the third world, are always suspected of it, it is not always clear what it means.

Does it mean that book bags sewn by CWP ladies for free distribution to schoolchildren must not be sold to passers-by with the lady who sewed the bag keeping the money? The lady who made the bag can justly call attention to her vital needs and to the pitifully low wage that CWP is paying her.

Does it mean that vegetables grown in CWP community gardens for free distribution to the needy must not be sold in markets, regardless of what is done with the money earned by the sales?

Is it corruption when “graduates” of CWP are put first in line for employment in the private sector or in the public sector? (Notice that this type of “graduation” does not increase employment; it only selects who gets already existing jobs.)

Consider the case where an individual signs in at one CWP site, and then the same day signs in with a slightly different name at another CWP site, and then at the end of the day shows up again to sign out at both sides; and in the end succeeds in getting paid for two days of non-work attributed to the same day. Do such practices show that CWP is corrupt, or do they only show that certain dirty individuals stain what is otherwise a clean program?

What if employment in CWP is contingent upon approval by the local ANC branch? Is it really possible for the NGOs administering CWP to work cooperatively with local government authorities without acquiescing when they treat public employment as a reward for the party faithful?

From research in the psychology of moral development comes good news regarding the dilemmas posed by these questions. The good news is that discussion of moral dilemmas, especially when continued for several years, raises the levels of moral reasoning and moral behaviour.¹² A participatory evaluation process¹³ in which CWP staff and participants earnestly discuss issues around corruption can be expected to make all concerned more conscientious and less corrupt.

¹¹ See Benjamin Bloom et al, *Handbook of Formative and Summative Evaluation of Student Learning*. New York: McGraw Hill, 1971.

¹² Provided that certain other conditions are met. See Michael Gazzaniga, *The Ethical Brain: the Science of our Moral Dilemmas*. New York: HarperCollins, 2006; Lawrence Kohlberg et al. “A Longitudinal Study of Moral Judgment,” *Monographs of the Society for Research in Child Development*. Volume 48 (1983) pp. 1-124; E.T. Higgins et al, (eds.) *Social Cognition and Social Development*. New York: Cambridge University Press, 1983.

¹³ See Howard Richards, *The Evaluation of Cultural Action*. London: Macmillan, 1985.

Rosario, Argentina, is a city famous for absence of corruption in a country that is in general famously corrupt. In my study of Rosario¹⁴ I was impressed by the many ways in which a learning culture and a culture free of corruption overlap. Ideally the evaluation of CWP will consider not only how much corruption there is, but also what measures –such as the nurturing of a learning culture—are being taken to encourage the growth of mentalities and cultures that are proof against the temptations of corruption.

In India the proponents of NREGA have advocated and included in the legislation creating their public employment program a high degree of transparency and a high degree of supervision by the local popular assembly, the *gram panchayat*. Transparency means that complete records of all financial transactions are available on the Internet. Anyone at all has access to records showing every rupee spent.¹⁵ Nevertheless, progress in the fight against corruption has been slow.¹⁶

Whether CWP –and with it a great hope for democratic structural transformation—succeeds will depend to a large extent on whether it can convince the public that it is a clean and efficient program.

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The South African government is paying for CWP at a time when its annual budget deficit is running in excess of 4% of Gross Domestic Product. Taxes, unions, legislation favouring labour, and regulation appear to have already motivated considerable disinvestment; an example would be the delisting of firms from the Johannesburg Stock Exchange to relist in London. Meanwhile, there are more applicants to participate in CWP than there are slots; this is a recipe for bitterness. Choosing few when many are called breeds charges of corruption.

It is hence more urgent than ever to find ways to meet social needs that are not punished by disinvestment. Let me propose two layers of solutions: first a solution to what I will call political disinvestment; and then a series of solutions to what I will call economic disinvestment.

What I will call “political disinvestment” occurs when firms deliberately pass up business opportunities because they oppose the government.¹⁷ An example, to take an extreme case, would be the opposition of international and national capital to the government of Salvador Allende in Chile. New private investment fell to zero. Credits were denied. Spare parts were available only to lorry owners who joined the opposition

¹⁴ Howard Richards, *Solidaridad, Participacion, Transparencia: conversaciones sobre el socialismo en Rosario, Argentina*. Rosario; Fundacion Estevez Boero, 2008. English translations of some of the chapters can be found at www.unboundedorganization.org.

¹⁵ Public records are also visible on the Internet in Rosario. See www.rosario.gov.ar.

¹⁶ See the chapter on NREGA in the forthcoming book by Howard Richards and Gavin Andersson tentatively titled *Economic Theory and Community Development*. The MS is available upon request.

¹⁷ While I make my point here with a distinction between “political” and “economic” disinvestment, in reality there is no bright line separating one from the other.

and went on strike against the government. Copper reserves were dumped on world markets to lower the price of Chile's principal export. Etc.¹⁸

My suggested solution is based on what I believe to be a solid fact. The solid fact is that an ungovernable nation or an ungovernable world is not objectively in the best interests of anybody. The alignment of business with the societal enterprise is while not always most favourable to abstract financial results as shown by conventional accounting, always most favourable to the concrete interests of the flesh and blood human beings involved. A government that pursues social cohesion and ecological sustainability objectively deserves support.

The most obvious example of the benefit to everybody of a more just, equal, inclusive, and humane society is a decrease in the crime rate.¹⁹ In the present state of society it is not only the rich who are ungovernable; the poor are ungovernable too. Here it is relevant for the evaluation of CWP to assess its impact on crime. We already have testimonies of participants that CWP has cut crime, including those of some participants who say they lived by stealing until they joined CWP.²⁰ Hard data would be politically useful.

As I see the world –and I confess that others may see it differently—at this point in history the bourgeoisie and its principal institutions (the major multinational corporations, the World Bank etc.) are every day more aware of the objective fact that a green world without poverty would be to everyone's benefit. Although there are some holdouts, most can already read the handwriting on the wall.

Having shown to my own satisfaction that political disinvestment while it sometimes happens is not objectively inevitable, I turn now to the stubborn economic mechanisms that may appear to make it inevitable that redistribution to meet social needs will be punished by disinvestment to cut losses and maximize profits. The same economic mechanisms may make it appear to be impossible for the South African government to marshal the resources necessary to turn CWP into a true employment guarantee.

Punishment by disinvestment will not be inevitable and raising the money to pay for an employment guarantee will not be impossible when democratic structural transformation is achieved.

The solution to punishment by economic disinvestment is to be found by analysing the problem. The problem is that capital can veto government by disinvesting. The solution lies in promoting multiple ways to meet social needs that do not lead to

¹⁸ Stefan De Vylder, *Allende's Chile: The Political Economy of the Rise and Fall of the Unidad Popular*. Cambridge: Cambridge University Press, 1974.

¹⁹ Decreased violence is one of eleven indicators of social welfare shown to be better in more equal societies in Richard Wilkinson and Kate Pickett, *The Spirit Level*. London: Allen Lane, 2009.

²⁰ See the quotations from CWP participants on the TIPS website. www.tips.org.za.

disinvestment; or, equivalently, compensate for disinvestment. Capital is defeated because it loses its veto power, but everybody wins because society becomes governable.

The solution is unbounded, not bounded. It is an infinite set of material practices²¹ that satisfy a negative criterion: they do not incur punishment by disinvestment. The solution is not planning. It is not worker ownership. It is not enlarging the public sector. It is not socially responsible business. It is not a self-reliant locally based people's economy. It is not family ties. It is not learning from indigenous knowledge systems. It is not cooperatives. It is not non-profits. It is all of the above and more. It is the cumulative effect --not any single practice-- that achieves democratic structural transformation.

It is dangerous to exhibit a sample member of an infinitely large set of material practices because the sample cannot possibly represent the set's infinite variety. Nevertheless I will exhibit two and one half samples.

The first is cooperative dairy farming in the province of Quebec. According to the strict logic of capitalism it would be rational to close down that dairy industry, buy milk on the international market, process it into yoghurt and other products, and sell it in Canada and across the border in the United States. But the capital in question does not disinvest from Quebec's dairy farms. It is controlled by cooperatives and the mission of the cooperatives is first and foremost to serve their members. The members want to keep their farms and they want to keep their communities alive. Disinvestment does not happen because a social logic prevails over the strict logic of the market. (Quebec's largest bank, the Caisse Desjardins, is also a cooperative. Its logic of service leads it to establish branches in remote rural areas where other banks do not invest because of lack of profitability. This is the one half example.)

The second example is the municipal bank of Rosario, Argentina. When disinvestment of many kinds led to the collapse of the Argentine economy and to a government decree freezing all bank deposits in December of 2001, most of the banks in the city of Rosario closed. They were branches of the major international banking chains. They were there primarily to make money. Since there was no money to be made there they left. But the municipal bank had a different mission. Its charter provided that it was a local bank. Its capital was tied to a territory.²² Its mission was to serve the micro-businesses, the small businesses, and the medium-sized businesses of the city and its environs. Its legal staff (whom I interviewed at length) went to work finding loopholes in the decree freezing all deposits, and finally engineered a way to provide emergency loans so that small businesses could meet payroll, using their frozen assets as collateral. Many

²¹ The phrase "material practices" was coined by Fernand Braudel to describe the many ways human material needs were satisfied in Europe prior to the rise of capitalism. Fernand Braudel, *Capitalism and Material Life 1400-1800*. London: Weidenfeld and Nicolson, 1973.

²² Chinese capital is also tied to a territory with a clear gain in governability. Chinese capitalists have wealth but they cannot move it out of China. Piketty cited below chapter 15 "...it is quite likely that the rich countries will have increasing recourse to capital controls in the decades ahead."

small businesses and many jobs were saved because the material practices of the municipal bank followed a different logic.

Among the many material practices that provide a counterweight to the threat of disinvestment, and whose sum can add up to a repeal of capital's power to veto government, are those of locally-based people's economies. Here CWP has a special role to play. CWP has a mandate from Cabinet to use public employment to catalyse community development. It is expected by itself and dovetailing with other agencies to encourage the spirit of enterprise that can lead participants to create additional means of livelihood for themselves during the days of the week when they are not working for CWP.

A people's economy is defined by José Luis Corragio²³ as an economy where the objective is making a living, not accumulating profits. It is an economy where the main resource is labour, not capital. It includes the hawkers on the sidewalk, the small family laundries, the spaza shops, plumbers, handymen, babysitters, ladies and men who make a meagre living taking care of the elderly, and the independent taxi drivers who own their taxis. In most countries of Latin America and Africa it generates more employment than the highly capitalized and technologically advanced major corporations. In a people's economy the liquidity preference is close to zero. Such an economy makes only a minimal contribution to the big hole in capitalism that is its chronic insufficiency of effective demand because it consists mostly of poor people buying and selling goods and services to one another. Money circulates and facilitates sales because it is not saved. If Say's Law comes close to being true anywhere, it would be in a locally-based people's economy. Although thriving people's economies do not eliminate the need for public employment, they are among the material practices that help to whittle down poverty and unemployment to dimensions that public employment can successfully cope with.

Community development is a major contribution to democratic structural transformation because it taps resources that do not come from the government's budget. The government is under strain to finance its social programs in the face of the threat that higher taxes on the rich will lead to disinvestment, and in the face of the reality that the Value Added Tax that provides about a fourth of the South African government's revenue falls on the mass of the people, most of whom are poor. When a community mobilizes its own resources to meet its own social needs that is a gift from heaven. It solves social problems bypassing the veto power of capital.

The evaluation of CWP should focus on its mandate to use public employment to catalyse community development. In this respect the evaluation need not deal only with what CWP has done on the average, or on what it has done at most sites. The evaluation could serve to highlight what is possible with case studies of sites where community development and with it the spirit of local micro-enterprise have been most nurtured by

²³ Jose Luis Corragio, *De la emergencia a la estrategia*. Buenos Aires: Espacio Editores, 2004; *La gente o el capital*. Buenos Aires: Espacio Editores, 2004. Some of Corragio's ideas are translated into English on my website www.howardrichards.org.

CWP. Studies already done, such as those of an Organization Workshop followed by CWP at Bokfontein, could be assembled and systematized.

At some sites CWP has been initiated by an Organization Workshop and at some sites it has not. It is a reasonable hypothesis that self-organization and community development have advanced farther, and that apathy and isolation have receded farther, where CWP has been preceded by an OW. Apart from simply testing this hypothesis, qualitative methods could be used to gain general insight into the effects of OW in relation to CWP.

It remains to ask how democratic structural transformation can pave the way to funding a true employment guarantee. My short answer is that it will be easier to tax rents and accumulated wealth because the rich will have less power to retaliate by slowing down or stopping production. I will complement this short answer with twenty additional thoughts. Here as everywhere I write aware that I may be mistaken, but I know no better way to correct the errors in my ideas than to put them into writing so that others can criticize them.

1. The evaluation of CWP should estimate how much it is costing to fund a participant. It should consider how the cost varies among sites of different kinds, and among useful tasks of different kinds.

It should facilitate projections of what it would cost to expand CWP and eventually make it into a true employment guarantee.

2. Evaluation should compare CWP with the rest of EPWP (the Extended Public Works Program of which CWP is a component). It should project the comparative costs of achieving an employment guarantee with different models and different mixes of models.
3. CWP has advantages over the now terminated Swedish employment guarantee. The Swedish government had to abandon being the employer of last resort because it could not afford it. It had been paying for full 40 hour weeks at high Swedish wages. CWP is much cheaper.
4. Nevertheless, expanding CWP to make it ever larger is unlikely to be the best way to guarantee every South African a livelihood. The best way is almost certainly a multi-pronged approach that promotes many kinds of livelihood –most of which are not paid for (or not entirely paid for) by public budgets.
5. Unlike most public employment programs, CWP dovetails with a multi-pronged approach. It goes beyond providing a livelihood itself to play roles in promoting other livelihoods. Its evaluation should study not only its direct funding of two days a week employment but also its catalytic community development effect, including its role as an inspirer of self-help. This would be in addition to the multiplier effect

of injecting cash into poor communities where it is then spent and re-spent. It is an additional kind of multiplication that mobilizes community assets.

6. Different dimensions of a guarantee of livelihood in the future are reflected in different priorities in the present. The fastest and least expensive way to generate high numbers of participants might well do no community development at all. On the other hand, it is a reasonable hypothesis that the least expensive way to achieve the end result of livelihoods for all would multiply CWP's impact by using public employment as a catalyst to mobilize community resources complementary to those made available by the CWP budget.
7. It might be worthwhile to conduct an experiment. Concentrate at some sites on how many jobs can be directly funded and at what cost. At other sites do direct job creation plus community development. Compare the results. It would have to be a long experiment because the time it takes for community development to be effective is measured in years.
8. Studying the feasibility of an employment guarantee leads directly to the general question how to pay for the social programs of the state. This general question is addressed in an important new book by Thomas Piketty, *Capital in the Twenty First Century*.²⁴ Piketty amasses overwhelming evidence to refute Kuznets' and Solow's claims that capitalism as it matures gradually reduces inequality. Piketty demonstrates that the observed reductions in inequality during parts of the 20th century relied on as proof by Kuznets and Solow were deviations from capitalism's normal trend. They were brought about by popular political struggles and by the shocks of war. Normally under capitalism increasing inequality is inevitable because the rate of return on capital exceeds the growth rate, $r > g$. The neoliberal philosophy of minimum government and maximum market can only lead to injustice.
9. Piketty advocates forms of progressive income and capital taxes suitable for the 21st century. Without them a social state is impossible. He is unfortunately partly silent and partly foggy on how to prevent redistribution from being punished by disinvestment. Here a politics of democratic structural transformation fills in a gap left by Piketty.
10. Piketty also proposes a tax on accumulated wealth.²⁵ He imagines an annual tax of 0 percent on fortunes under 1 million euros, 1percent on fortunes from 1 to 5 million euros, and 2 percent on fortunes over 5 million.

²⁴ Thomas Piketty, *Capitalism in the Twenty-First Century*. Cambridge MA: Belknap Press of Harvard University, 2014. (original French edition 2013)

²⁵ Chapter 15, op. cit. Karl Marx would call this a tax on "gifts of history" as taxes on the extraction of natural resources are on "gifts of nature."

Among the historical findings supporting his proposal are: Families successful in business tend to evolve over time into rentier families. They hold their wealth in the forms of real estate, government bonds, and stock portfolios –all managed by others. Their large fortunes tend to grow at 6 to 7 percent per year, while the assets of smaller and less privileged investors tend to grow at 4 or 5 percent. At this point in history enormous wealth has been accumulated.

In most countries: Total accumulated wealth is about 6 times the annual gross national income. Net public wealth is approximately zero, since the total value of all public assets is approximately equal to total public debt. Virtually all net wealth is in private hands. The bulk of it is in the hands of the upper 5% of the population.

11. A tax on accumulated wealth would have minimal impact on the day to day operations of business. If, for example, a taxpayer sold stock in a corporation to pay a wealth tax, the corporation would simply change its books to record the buyer of the shares as their new owner.
12. Piketty discusses taxes, but he does not discuss other ways to share the surplus, such as, for example, transferring wealth to the endowments of non-profit institutions devoted to meeting social needs. (Such transfers are often encouraged by tax exemptions.)
13. My basic formula for full employment is: Skim off unneeded funds from individuals and businesses. Then use them to fund livelihoods that do not depend on sales. This formula solves a problem that John Maynard Keynes did not solve, namely: how to achieve full employment in spite of a chronic insufficiency of effective demand.

Now comes the question: .What funds are “unneeded”? Regarding individuals up to a point luxury consumption and a high standard of living are unneeded, but only up to a point. Beyond that point depriving high-income individuals of the rewards of success chills motivation for high productivity that benefits everyone including the poor.²⁶

Regarding business what is “needed” are all expenses that enter into the cost of production.²⁷ Surplus over and above the cost of production is “rent” available for transfer.

²⁶ This is John Rawls “difference principle.” Briefly stated: Inequality is just to the extent that it benefits the poorest. John Rawls, *A Theory of Justice*. Cambridge MA: Harvard University Press, 1971.

²⁷ The historical origin of this notion is Ricardo’s theory of rent. Ricardo advised the sovereign to tax the rents of landlords because rent is not a cost of production, but only a fee collected by the owner of the land in return for permission to use its superior “original and indestructible powers” provided by nature.

Here I tread ground well-soaked in the ink of the learned. To save further spilling of ink I write succinctly: Normal profit is a cost of production. In the kind of economy we are talking about, in the sector we are talking about, if there is no profit there is no production. Therefore normal profit is a cost of production.

14. Does this bring us back to square one? Are we back to saying redistribution cuts profits, cutting profits leads to disinvestment, therefore redistribution leads to disinvestment? No. Am I simply repeating the mantra of the conservatives who say that the ANC's social programs are the cause of South Africa's dismal economic growth and deepening deficits? No. I have not yet defined "normal."
15. Distinguishing between the normal profit that is a cost of production and the rent that can safely be socialized is essential for a rational tax policy. It is irrational to decree that the corporate income tax²⁸ is, for example, a flat 20%. At 20% some businesses will be milked dry, will fall short of normal profit, and will close their doors. At the same 20% others will be contributing less to meeting social needs than they can and should contribute.²⁹
16. I have already hinted at what I (following Alfred Marshall³⁰) call normal profit. It has two components:
 - (A) A return on capital high enough to pay for the use of capital at the rates of interest established by capital markets. (This can also be expressed as paying the "opportunity cost" of capital.)
 - (B) Incentives sufficient to motivate entrepreneurs and managers to engage in business with the necessary hard work and zeal. (Marshall calls this the "supply price of business.")

The rest is rent.

Production continues the same whoever gets the rent, the sovereign or the landlord. David Ricardo, *Elements of Political Economy and Taxation*, 1817.

²⁸ The corporate income tax now generates about a fifth of the revenue of the South African government.

²⁹ There will nonetheless never be a bright line that can be drawn by technocrats distinguishing what corporations ought to keep and what they ought to share. A corporation might plausibly argue that even though its surplus is far beyond current costs of production including normal profits, it needs retained earnings to develop new green technologies that will benefit society more than using the same money to fund CWP. The practical judgment required can only be achieved by democratic give and take. There is no algorithm for it.

³⁰ Alfred Marshall, *Principles of Economics*. London: Macmillan, Third Edition 1895. See especially book two chapter four, and book four chapter twelve paragraph twelve; Alfred Marshall, "On Rent," *Economic Journal* Volume 3 (1893.) pp. 74-90. This article ends: "...however untenable may be the so-called 'Ricardian dogmas', the analysis of which Ricardo was the chief builder, has firm if often unseen foundations." Alfred Marshall, "The Theory of Business Profits," *The Quarterly Journal of Economics*. Volume 1 (1887) pp. 477-481. "Following Marshall" means I give Marshall credit. It does not mean his views and mine exactly coincide.

17. Of course the most obvious rents, the rents first noticed by Ricardo, are those derived from ownership of natural resources, of “gifts of nature.” Certainly South Africa should socialize these. But rents are everywhere. They are wherever there is surplus revenue above and beyond costs of production.
18. Marshall also identifies another wellspring of profit that he calls “external economies.” These are typically technical, organizational, and marketing innovations that are general in the trade or in the country and not internal to a particular firm.

In external economies there is a field where the South African government can and does support successful entrepreneurship that creates surplus that the government in turn taxes for the common good. The government conducts trade fairs, organizes visits to and visitors from foreign countries, provides technical advice, encourages start-ups, and provides access to credit.

Government can facilitate mass access to entrepreneurship. The larger the pool of eager people with entrepreneurial talent and access to credit, the greater will be the number of people motivated to create shared value collecting a normal profit for themselves and content to share the surplus with society. If some will not, others will. Gone will be the days when a small clique can aggravate mass unemployment and raise prices (by lowering production) when its privileges are curtailed.

Similarly, the more diverse the economy, with different institutions operating with different logics, the easier it will be to shut down marginal businesses that cannot afford to comply with labour, environmental, health and safety, and tax compliance standards. Shutting down a business will not be a tragedy either for its owners or for its employees in a democratically restructured economy. Full employment will be achieved not by futile stimulation of aggregate demand and not by futile gilding of offers to capital, but by a diversity of logics including first and foremost public employment financed by rents. When one logic falters, others will take up the slack.

19. A politics of democratic structural transformation, Piketty’s recommendations, and the socialization of rents *in principle* would make paying for turning CWP into a true employment guarantee duck soup, a piece of cake, a glass of milk, easy as pie.

In practice, unfortunately, ideological warfare, power politics, intellectual confusion, misguided good intentions, apathy and ignorance will make it an uphill battle every step of the way.

20. As part of the evaluation of CWP it might be worthwhile to convene a series of discussions on how to finance transforming it into a true employment guarantee.

