

A TAX ON POVERTY

ANNE WELSH

Department of Economics, University of the Witwatersrand

WARNINGS that the expansion of educational services for Africans would have to be financed by the Africans themselves preceded the Native Tax and Development Amendment Act. The Act itself therefore embodies the principle that the poorest people in the community should pay for their own essential development, for development which, while beneficial to the people most directly affected, is also vital for the material progress and prosperity of the whole population. "To raise one's self by one's bootstraps" is an old fashioned phrase, but this is the maxim the Act applies and commends to the African community.

While the development of "under-developed" territories occupies the attention of states with economic and political interests in the African continent, the South African government rejects the obligation to use public funds for furthering the education—even on the most primary level—of part of its own population.

It has passed on the financial responsibility of extending education to the very poor, while through the Bantu Education Act it exercises rigorous control over the kind of schooling that is to be offered, and while it forbids bodies other than the State—particularly the Churches—either by means of outright compulsion or by refusing subsidies, from playing a part in expanding educational opportunity.

From January 1 1959 the poll tax paid by all African men between the ages of 18 and 65 (not from 21 the age from which members of other social groups pay personal tax) will be increased by 75 per cent that is from £1.0.0 to £1.15.0. From January 1 1960 this tax will increase on a sliding scale for men with an income of over £180 a year and women married or single, earning over £180 a year will be subject to a tax of £1, this too to increase as income rises.

Comparing rates of taxation a Fact Paper published by the S.A. Institute of Race Relations states:

"All African men earning under £140 a year (or £11.13.4 a month), *whether they are married or single*, are to pay the same in general tax as unmarried persons in Natal pay in personal tax; but higher amounts than are payable by any Whites, Coloured People or Asiatics anywhere else. In the Transvaal, in fact no

Whites, Coloured People or Asiatics are required to pay personal tax until their incomes reach £150 a year if they are single, or £250 a year in the case of married men. Married women are everywhere completely exempt.

In all the income ranges up to £450 a year, African men, whether married or single, will pay more than do married men of other racial groups in all provinces except the Orange Free State.

Africans earning up to £240 a year in taxable income will from 1960 be the highest-taxed members of the community. For the great majority of the African population therefore the tax is not related to ability to pay. It is regressive. It falls on those least able to afford it. Any poll tax necessarily departs from the principle of progressive or even proportionate taxation, but this Act underlines that departure at a time when not a higher tax on low incomes, but measures to combat poverty and large scale subsidization are urgently needed.

There has been no serious attempt to justify the tax increase on economic grounds. Some members from the government benches disparaged rather than tried to disprove the facts now available about the extent and the severity of African poverty. They maintained that the standard of living of Africans is better than the evidence shows, better than critics of the government think it is, and highly attractive to the Africans in neighbouring States. On the last point it ought to be apparent that the draw of a cash wage (but not necessarily of a standard of living) has always been one of the factors responsible for the flow of labour from farms to towns. In any case the answer to these assertions is surely a large-scale factual survey undertaken by the government so that a full picture of the condition of the people can be achieved.

Government speakers maintained that since the general tax has remained at the level of £1 since 1925, and since money wages have risen the African population is now capable of bearing a 75 per cent tax increase without undue hardship. The purpose to which the proceeds of the tax are to be devoted, 4/5 to African education and 1/5 to the South African Native Trust for the improvement of land in the Reserves, were held to justify the imposition of the tax itself. Indeed the Minister of Finance, Mr. J. F. Naude, stated that taxable "capacity must be determined with reference to *the eventual benefits* that community will derive from such development". To which one

might add the corollary that "if wishes were horses beggars would ride".

The main argument for the Act is an ideological one. During the second-reading debate the Minister of Finance stated that, "we do not have one homogeneous community in which the prosperous people can be taxed to provide services for the less prosperous, but we have various communities which must be economically sound individually . . . If the State is simply continually to give money it will undoubtedly undermine the sound development of the Bantu community, and the White guardian community would be failing in its duty". (Hansard 10.3878).

So too Mr. Mentz, "I have said that the time has come—and we must face this fact squarely—for us to regard the Bantu as a separate group and not as an integral part of our population". (Hansard 10.3894-5.) In other words this measure is designed to further "financial apartheid".

"Financial apartheid" as expressed in this Act is remarkable for its complete disregard of the facts of economic life. The idea of separate communities which must be "economically sound individually" is based on a fundamental misconception of the requirements of any modern economy. Measures designed to further such ends by making the poor pay for their own development can only reduce the material well being of the whole population. The fact of economic interdependence in a world of specialization is obvious to most people. The recognition of it is apparent in the domestic and foreign policies of most modern states. The fact that the income of one man creates employment and therefore income for another is a commonplace of modern economic thought. But, in South Africa, the supposition that it is possible to seal up poverty, inefficiency, malnutrition, disease and crime, and the effects of these evils, behind the gates of African townships or within the boundaries of African Reserves has not yet been exploded.

What are the striking facts of the present situation? From all over the Union come reports of dire poverty. Failing a comprehensive survey the only guides to the present condition of the African people are surveys carried out for different purposes by various bodies; municipalities, the National Building Research Institute, the South African Institute of Race Relations and others.

Some of the surveys make use of the "Poverty Datum Line" standard which is "an estimate of the income needed by any

individual household if it is to attain a defined minimum of health and decency". But this standard, as Professor Batson points out, "is more remarkable for what it omits than for what it includes . . . It is not a 'human' standard of living". In 1956 about 87 per cent of African families living in Johannesburg had incomes below this level.

All the available evidence shows that there is a gap between legally-earned income and necessary expenditure for, at a conservative estimate, well over half of African families living in towns. Although Africans have found semi-skilled employment at higher wages because of the lack of White manpower there are not enough Africans in these posts to relieve the picture of mass poverty. Information about conditions in the Reserves show that families there are no longer self-supporting but rely on subsidies from migrant workers to make ends meet.

What is clear is that the economic relationship between workers in the towns and families in the Reserves has been reversed in the last 25 years. Town workers no longer have self-supporting families in the Reserves. Either they have town families whom they must support out of a cash wage, or they have Reserve families who rely on support. So cash wages have had to be stretched to cover subsistence farming deficiencies on the one hand, or the new costs inherent in town living conditions on the other.

Prices have risen faster than wages. According to the Retail Price Index the cost of living has doubled since 1938. It is startling to find therefore that Wage Board enquiries have been allowed to take place at such long intervals of time. The Wage Board recently met in Johannesburg to investigate the position of unskilled labourers on the Witwatersrand and in Pretoria. The previous enquiry was 16 years ago.

All these facts have contributed to the present gap between income and expenditure. A wage of £5.7.0 a week is one estimate of the amount required for the bare support of a family of five in Johannesburg. The municipal rates for adult unskilled African labour fall far below this. On the Reef the rates vary from £1.13.10 per week in Westonaria, to £2.14.9 per week in Johannesburg. A recent investigation undertaken by Benoni throws up the discrepancy between actual earnings, what is required for 'bare subsistence', and the amount that would enable a man, his wife, one standard II child, and two pre-school children "to live and not merely exist". An unskilled

worker earns £2.3.9 per week. For bare subsistence he ought to earn £31.5.4 per week, or £16.14.9 per month. A "living wage" would be not less than £24.0.0 per month.

What is known suggests that wages for African unskilled workers, and these form the majority of the wage earners, are now completely out of step with present day requirements, and that these wages are not based on essential family needs at all, but on the needs of single men. Unskilled wage rates assume away the existence of families, or assume the family to be self supporting, in the sense that all the wage rate paid to a married man has to do is to add to an already available basic real income.

These are the conditions in which a 75 per cent increase in tax is to be imposed. Government speakers who claim that the rise in money wages makes the tax supportable have neglected to observe the facts, and neglected to recognize a situation in which low-paid workers, confronted by inflexible bills for rent and transport must necessarily cut down the already too-slender balance left for food and clothes to meet tax demands.

The question is not only whether Africans themselves can afford to pay a higher tax but whether the community—the whole community—can afford to let them pay. There are grave consequences of poverty already obvious. Crime has become a recognized profession in African townships. One of the most important contributory causes is the income-expenditure gap—not a luxury gap but a bread gap—which must somehow be filled. Malnutrition and disease are costly for the whole society; not only hospital bills but the cost of lethargic and inefficient workers are borne by South Africans of all colours and of whatever political affiliations.

It is surely unnecessary to labour the point that poverty is not a commodity which can be vacuum-sealed.

An expanding economy is dependent on an expanding market for the sale of its products. In spite of the low wage earned by the majority of African workers the market for the products of secondary industry has expanded. This fact can be explained by the substantial increase in the number of wage earners. About 500,000 Africans are now employed in private manufacturing industry alone, over six times as many as in 1925. The employment of both men and women has increased in all sectors of the economy, including the Public Service. But will the African market continue to grow? Low wages and low productivity set limits to the possibilities of expansion.

The poverty of workers and their low productivity have become a vicious circle. Lethargy and incompetence are related to malnourishment and fatigue. And the low value of workers' output keeps wages low. Poverty combined with restrictions on opportunity and mobility depress wages.

But what extra costs are incurred by industry through the employment of low-paid and uninterested workers whose view is that one unskilled job is much like another? It is possible that high rates of labour turnover, which entail more office records, more staff and more time, is one of the more important costs. More ought to be known about this.

It is said that one of the unseen contributions of the low-paid African worker to the State is in the form of the high industrial profits which are subject to tax. This appears to contradict the commonsense assertion that so called "cheap labour" is in fact costly to employ and imposes burdens upon industry. It is probable, however, that both assertions are correct, though they apply to different periods. A cheap and plentiful supply of labour has, in the past, made high profits possible, whether it will continue to do so, however, is doubtful. For the techniques of industry are changing and more industries are finding that numbers of workers are not substitutes for alertness and skills at least basic. As production becomes more mechanized different kinds of competence are required, and labour of necessity becomes more specialized. The continued reliance upon untrained labour therefore becomes inappropriate and such labour becomes increasingly costly to employ despite its low wages. This is surely an argument for the systematic training of labour—perhaps in the factory itself.

What emerges from a view of the economy is above all the inter-dependence of the various racial groups. The manner in which town and country population proportions have altered demonstrates this. In 1951, 27 per cent of the African population lived in towns, as against 10 per cent at the turn of the century.

In Durban and Johannesburg Africans outnumber Whites, in Port Elizabeth Whites only just outnumber Africans. Not only has employment of Africans increased, but in a more diversified economy the role in which they are employed have multiplied. As industry has become progressively more dependent on African labour, African labour has become more dependent on cash wages and the products of industry.

Integration need no longer be followed by a question mark. It is an accomplished fact. It has been achieved not by formal policy decisions but by the pressures of the market economy, by the need to earn wages and the need to employ labour. Talk of "separate communities" with self-balancing budgets, and of the "economic soundness" of each separate group is a language quite inappropriate to the facts of the situation. Decisions on economic policy based on these outmoded concepts must have tragic consequences. Not only do such decisions outrage any sense of social justice but they run completely counter to the economic advantage of the *whole* community.

It is apparent that social and economic reforms are badly needed. Where should they begin? The long-term end should be to increase the productivity of African labour. This would necessitate measures to arrest declining standards of health as well as direct measures to increase efficiency. And if incentive is to play a part in this process, opportunities must be opened.

Or do the apologists of "separate communities" and "financial apartheid" propose to ignore the facts of interdependence and the fundamental basis of economic prosperity—the productivity of the worker?

