

Financialisation, socio-economic realities and welfare policies - the case of South Africa

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ABSTRACT FOR HIGHER SEMINAR

This paper examines the financial sector in South Africa since the early 1980s with the aim of analysing its socio-economic impact, especially in relation to relevant welfare policies. It utilises scholarly material, datasets, official documents, private sector reports, but also responses based on semi-structured interviews with experts in government bodies, in academia, and the private sector. The findings suggest that the massive financialization process harmed the overall economy, and had disastrous effects on the social economy. This is mainly because the economic structures in general, and financialization in particular, entrenched and widened the prevailing inequalities of income, wealth, unemployment, under-employment, investment patterns, and household debt; also from the perspectives of gender, ethnicity, and location. The dominance of short-term and speculative character of financial activities have also worsened an already volatile economy with continuously depreciating currency and disinvestments in productive sectors. Financial regulatory frameworks have also failed, or rather neglected: consumer protection; prudential conduct; lowering of bank and financial fees; and access to credit to low-income groups. Improvements in insurance services and housing finance have had the flip-sides of higher debt levels and increased financial vulnerability. Moreover, combating financial crime have had no visible success, given the intensification of Illicit Financial Flows. In fact, regulations are actively in support of the financial sector, not only by allowing a favourable market environment, but also through lower tax rates and increasing government subsidies and transfers. In parallel, the welfare system in general, and welfare schemes in particular, i.e. to remedy poverty and inequality, have had miniscule effects. This conclusion indicates that the welfare system have largely failed to adress the increasing social problems. These negative developments adds to the position that there is a deliberate agenda to advance the interests, incomes, and wealth of the already powerful in the country. The paper ends with a recommendation to scholars, activists, institutions, and organizations to pay closer attention to the force of financialization and financial agents when advocating for social policies.

Keywords: Financialisation, Poverty, Inequality, Elites, Welfare, Illicit Financial Flows, South Africa