

Asset and Opportunity Based Strategies and Inequality

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Second Economy Workshop

**Overwhelming,
if changes in
democracy**

**Impenetrable
but needed to
sustain growth**

**Markets
have
power**

“THE STRUCTURE”

- Service delivery protests
- “Xenophobic” clashes
- More dollar billionaires
- Black diamonds in debt trap

**Growth will get
us there?
Improve quality**

**Redistributive
practices limited
and potential
downside**

Inequality and poverty linked

- In South Africa, distribution of resources perpetuates poverty.
- South Africa faces a “high level poverty trap”
- Current strategies will not reach the ultra/chronically poor through growth
- Ambitious plan that life chances for poor children should be different in a generations time
- Attempt to construct a sustainable system of redistribution
- Time and economic growth not enough!

A Household that has benefited from service delivery

- Unemployed Young Adults
- CSG
- Benefited from H2O and Kwh

Is searching for work a possibility?

Is not work, then a enterprise?

If enterprise established, then is their demand?
Is there an existing cartel?

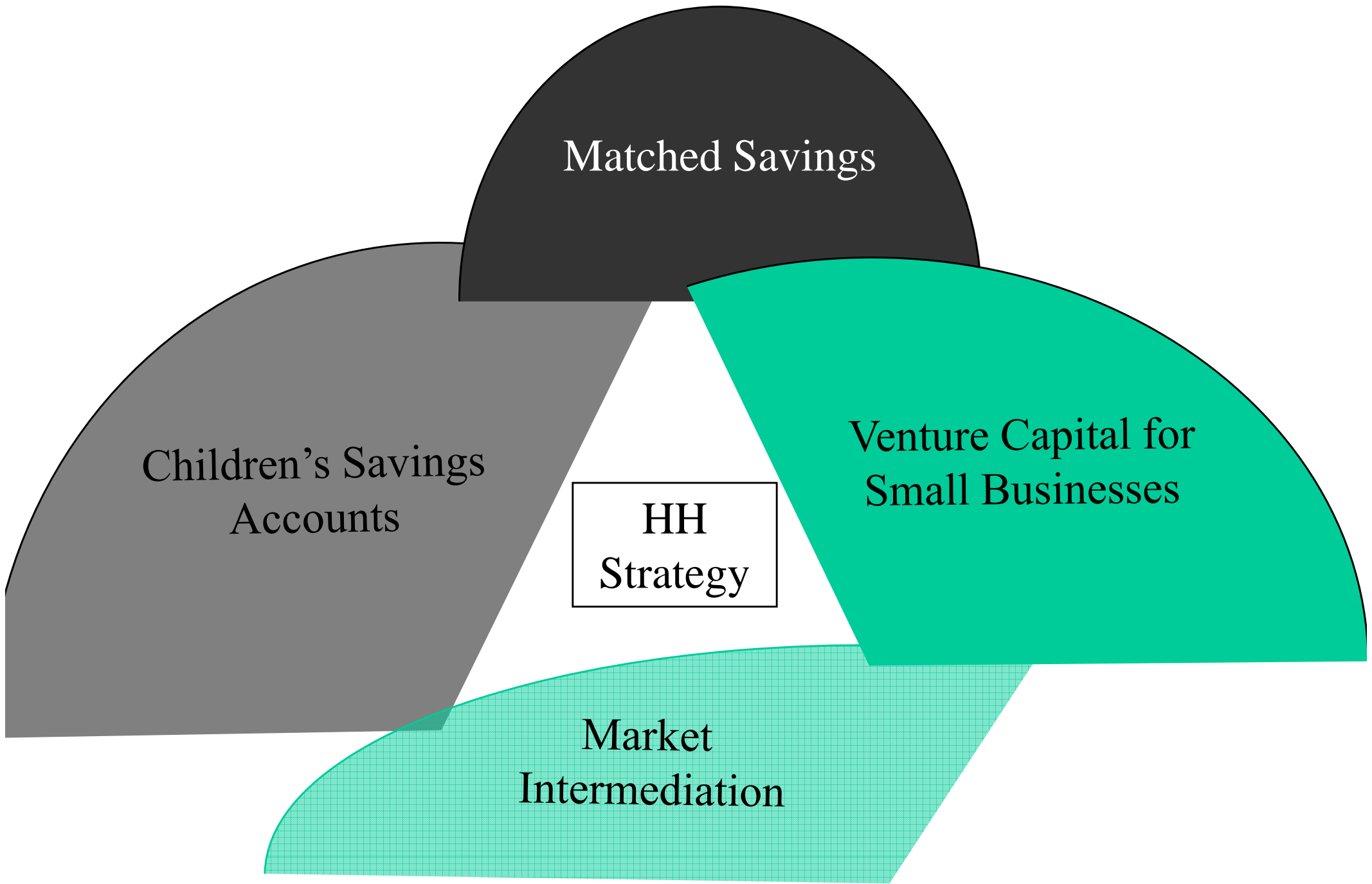
Unlikely to make these transitions, without interventions

Two broad areas of interventions

- Building capabilities
- Creating opportunities to utilise these capabilities.
- Wide canvas and some already exists, but:
 - Limited transitions to income generating activities
 - Limited opportunities to engage in financially risky activities of start up

The usual criticisms..

- Why not just widen the cake?
 - Widening the cake is very important to long run development. The problem we face is that even with a larger cake, many will not have the opportunities.
- The markets will be frightened and spooked
 - The strategies would grow economic participation and markets in the long run. But, let us not be naive, one of the key structural features is that the market – as in cartels and monopoly – limit economic participation.



Why focus on an asset effect?

- What is the asset effect?
 - Changes in household strategies at three levels
 - Income resilience
 - Future activities
 - Connectivity into in the economy, politics etc
 - In other words, pathways/ transitions out of poverty

Programmatically speaking

- Access to employment through an expanded national youth service programme
- Government and private households creating systems for venture capital for small businesses
- A significant change in the quality of schooling through educational reform programme
- Matched savings with savings systems to create enterprises and/or linking savings to social security
- Introduction of government sponsored savings accounts