

SA response to economic crisis

September 2008 a financial melt down, which began in firms on Wall Street, became the symbolic trigger that has led to the largest economic crisis in 80 years.

The immediate trigger to the crisis was the large number of sub-prime housing loans made to American households, beyond levels they could afford. These loans helped to create a huge bubble, which sent house pricing up. People who owned houses felt wealthy and credit was wildly extended by banks and other financial institutions who sought to profit from this. Factories, largely in China churned out goods that were consumed by people largely in the USA, who were living on higher levels of debt, disguised by the sharp rise in house prices.

When the bubble burst, many companies went down with it and major economies went into a recession. Large numbers of jobs were lost and continued to be lost in the early part of 2009.

South Africa is effected

SA has been seriously effected by this and many jobs have been lost in mining, manufacturing and services. This booklet sets out the Framework Agreement that is the SA response to that crisis. The agreement was reached between the government of SA, the trade union movement, business sector and community organizations.

- Government plans to build roads, rail lines, dams, schools, hospitals and other infrastructure. We will receive R787 billion over three years and will intensify to deal with the crisis.
- Public works program to create temporary jobs for those displaced by the crisis.
- Calls on companies to avoid retrenchment where possible.
- Calls on consumers to buy "local" in order to create jobs.
- Social policy measures to cushion poor communities from the worst impact of the crisis.
- All countries across the world are effected by the most serious and economic crisis in 80 years.
- Significant asset depreciation
- Closures of companies
- Rising un-employment
- Sharp slowing down of economic growth
- Solidarity of all SA is needed to ensure that the crisis does not damage the fabric of society
- Those with greater means have a social responsibility than those without such means
- Our collective responsibility is to work together, to withstand the crisis and ensure that the poor and the most vulnerable are protected as far as possible from its impact.
- We must ensure that the economy is ready to take advantage of the next upturn.

Macro-economic policy response

Fiscal and monetary measures are necessary and should be used aggressively to address the crisis. Counter cyclical measures to stave off a recession. Reduce the interest rate and lower the cost of capital. Create a competitive exchange rate.