



# **On ethics, Inequality, Corruption and the Middle Class: The Case of South Africa**

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# Introduction

- Corruption in SA on the rise at unprecedented level
- The article addresses neglected issues in literature
- The role of the middle class in particular white collar section
- The article will concentrate on the private sector
- The use of empirical data to show the relationship between ethics, corruption and the perpetuation of inequality in the country



# On Ethics: From Theory to Practice

- Globalisation, wars, mayhem, fanaticism, natural disasters, corruption, ethics are rooted both philosophically and empirically on social interaction and relationships
- Desire for self-preservation of an individual is determined by material scarcity that forces humans into conflict
- Kant's theory: ethics are based on human's desire to supersede natural competitiveness as an impediment to human selfish nature that leads to corrupt activities
- No human has been born immoral or corrupt



# Inequality In South Africa: The Basics

- Larger nation of SA is black and poor rural women being the worst affected
- Poverty has decreased significantly but income inequality still dominant
- Economic growth has highly been uneven , perpetuating inequality and exclusion
- Social (racial) underpinnings of inequality in South Africa are evident at all levels of society
- Statistics SA: unemployment rate has increased to 25.5% in the second quarter of 2014
- RDP, BEE and Land Reform are some of the measures to address problems of inequality



# The Middle Class

- E.O.Wright postulates that the middle classes consist of groups of people who do not possess their own means of production
- They are human capital, especially in the white collar variety
- People with higher education, expertise, experience and skills are destined in most occasions to command financial rewards in excess of the cost to produce and reproduce their labour
- Wright's work bears resemblance to Marxism
- Per Capita Consumption differs by continent, country or region:  
Developed vs Developing: Asia vs Europe vs Africa



# The South African White Collar Middle Class Corruption and Inequality

- UCT's Unilever Institute of Strategic Marketing report indicate that SA's black middle class has grown 250% over the past 8 years
- Whites still dominate the top-earning brackets
- Only 10% of Living Standard Measures (LSM) 9 and 5 % of LSM 10 were black
- 20% of the black middle class is in the civil service
- Middle class white collar corruption is in form of bank corruption, hacking, counterfeiting, blackmail, bribery, tempering and manipulation of mobile phone use, money laundering, tax evasion
- 90% of companies have been investing heavily in security because of growing white collar crimes
- Price Waterhouse Coopers (PwC) Survey reported that economic crime remains a serious challenge



# PwC Global Economic Crime Survey- Findings

- Shift in the perpetrator profile in SA. Senior Management is now the main agent of economic crimes committed by insiders
- The typical perpetrator of insider fraud in SA is male
- Bribery and corruption has been the fastest growing economic crime
- Globally, the construction, Energy and Mining Sectors experience the most bribery
- SA organisations suffer significantly more procurement fraud, human resources fraud, bribery and financial statement fraud than organisations globally
- Competition law infringement is poorly understood by South African organisations
- Formal fraud risk management programmes have become the most effective fraud detection method



# Conclusions

- Article attempted to show the relations of ethics, the private sector white collar middle class and the perpetration of inequality in SA
- Article showed through its empirical component that the negative consequences of corruption for the business sector
- Instrumental in the negation of the efforts for continuous sustainable development in SA because corruption deters investment in the country
- Inequality becomes more entrenched in the economic structure of South Africa and is a serious obstacle to integrated and multi-prolonged approach on the way forward
- The private sector and its leadership need to show concretely and decisively the political will to uproot corruption from their sector

