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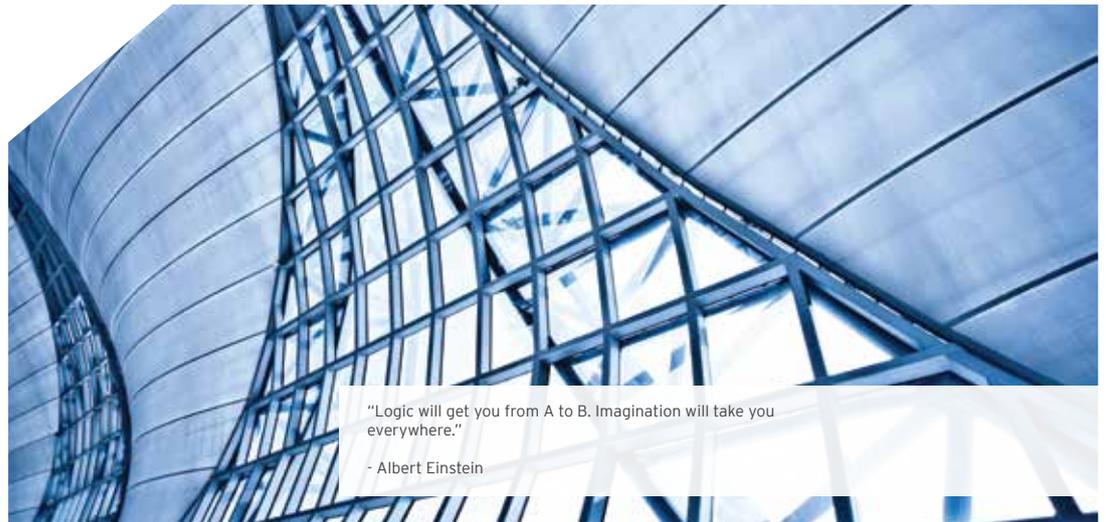
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"Logic will get you from A to B. Imagination will take you everywhere."

- Albert Einstein

ECONOMIC COMMENTARY - By Francois Stofberg

Much has been said about income inequality in South Africa; it is true that income distribution in SA is among the most unequal in the world. It is also true that the income inequality has improved, but not nearly enough. The fact of the matter is, that there are too few "rich" people in SA. We prefer this definition of income inequality, because we believe rich and successful individuals, build rich and successful countries. By this we do not imply that having a few rich individuals at the cost of poverty is the way to go (as will become more clear), we suggest that preventing the free market to do what it is supposed to do and generate billionaires. This is a flaw of many emerging economies. Even China, who now has more US\$-billionaires than the US itself, knows the truth about this statement.

What is also true about income inequality in SA, which very little people are aware of, is that income inequality is most severe under the "African" population in SA, and that income inequality in this group has worsened by the greatest amount in the post-democratic period. To measure income inequality a variable known as the Gini-coefficient is estimated, this variable has a value between 0 (completely equal, i.e. everyone in the economy earns exactly the same), and 1 (only one individual earns all the income). Among the "White" population in SA, the Gini-coefficient has improved from 0.48 in 1996 to 0.44 in 2014, whereas the coefficient has worsened from 0.53 to 0.58 among the "African" population. Now, this might have only implied that there are currently more African billionaires, which is a good thing, unfortunately, the cost has been that the amount of Africans living in poverty has increased from 16 mil. in 1996 to 17.5 mil. in 2012 (the latest available data).

What this points towards is that the manner in which "empowerment" has been applied in SA is not as efficient as it could be; we've created a few "Black-diamonds" at the cost of increased poverty in certain population groups. To fix this we should rather focus on building a world-class skills development system, and create jobs by investing more in economic empowerment (i.e. infrastructure & capital), and not social empowerment (i.e. grants).