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ECONOMIC COMMENTARY

- By Francois Stofberg

Cabinet Reshuffling and Land Expropriation

This week, President Ramaphosa announced his new cabinet. One thing I have been wondering about is why they leave these announcements to the dark hours of the night. Previously, I would account this decision to the sinister nature of the announcements; firing honest ministers to make room for shady characters, and the like. But now, we receive good tidings at these odd hours. Maybe they're just too excited about the news, maybe they want to show us that they're working hard, maybe they're considering the immediate impact on markets, maybe... We'll never know. Nevertheless, the news was good and very strategic – another masterful move.

First, and most important, was the decision to re-instate Nhlanhla Nene as minister of finance. Of course, he has all the right credentials: a degree and multiple graduate diplomas in economics, a successful career as deputy minister of finance, and many more. Even more important, is the signal this reinstatement sends out to South Africans and the rest of the world. It signals that Nene was in fact wrongfully removed from office, it signals a clear move away from Zuma-nomics and Zuma-policies, and it signals another consolidation of power away from Zuma. We are also hoping that this signals another change in government's business plan, away from social upliftment towards economic upliftment. It was only during Nene's short reign as finance minister that government spending started to cool off, after the start of the Zuma-years and the out-of-control-spending it led to.

Second, and equally as important, was the decision to move the "hero"-minister, Pravin Gordhan, to the head of public enterprises. Although, in terms of his ability to improve government's fiscal finances, his hero-status is ill-founded. Nevertheless, the public seems to appreciate his attempt at being a beacon against corruption – the one man who stood against Zuma! Someone who can crack down on corruption and state capture is exactly what we need at the head of public enterprises. This position was previously held by Lynne Brown. She and many other ministers and high-ranking officials (most notably Faith Muthambi and David van Rooyen) who have been alleged to be connected to corruption and/or state-capture reports in any way, have been masterfully dissected from the parliamentary process.

Third, was the decision to appoint Gwede Mantashe, the national chairperson of the African National Congress (ANC), as mineral resource minister. Similar to Zuma, President Ramaphosa is appointing trustworthy ministers in key areas. The difference of course being, that the new president's appointees do not have questionable intentions (yet). Overall, we, therefore, believe that the cabinet reshuffle was another strategically smart move by the ANC and its new head, President Ramaphosa.

Another important issue that once again surfaced this week, was that of land expropriation without compensation. The Economic Freedom Fighters (EFF) called for a motion to amend the Constitution in the National Assembly, to fast-track the implementation of land expropriation. ANC-members of parliament, however, shot down this idea, saying that the Constitution does not have to be amended, it must simply be implemented. Throughout the commentary that was made on this topic over the last couple of months, it appears the ANC is stalling for time, and rightfully so. Implementing this policy to the extent that the EFF is calling for, would be disastrous (to say the least).

Our opinion on the matter is that policy enforcement on this issue is still a while off; they've been talking about it for decades, literally. The reasons for this is, its sensitive nature (economically and politically) and because the ANC is already walking a political tightrope after the disaster Zuma left behind (especially among the wealthier urban voters who keep state coffers full). This does not, however, mean that you won't hear a lot about it leading up to the 2019 general elections. The ANC will continue to use this issue as a marketing tool, to garner some of the votes they lost against the EFF. There might even be a few cases of successful land expropriation until then. Even if this policy is eventually pursued, I believe a middle ground of sort will be "enforced". President Ramaphosa understands the principle of trade-offs, he also understands how and when to squeeze. Increasing VAT by 1% didn't come without providing free tertiary education for the poorest households, or an increase in the amount and size of grants certain households receive.