

DAWIE'S NOTES

- Dawie Roodt

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THIS MAY BE THE BEGINNING OF A NEW DARK AGE AND THE END OF CAPITALISM

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It is not possible to be completely certain of anything.

There are, however, degrees of certainty; let's call them hunches or suspicions. Many people, perhaps all of us, base our understanding of the world on little more than a hunch, a suspicion or a feeling.

Let's start with me. Mea culpa; I am guilty of reaching conclusions based on a hunch. For starters, I had a good feeling when Cyril Ramaphosa was elected president. My instinct told me that he would quickly consolidate his power, get rid of the corrupt and the incompetent and generally stop the rot in government.

I also had a feeling that the corona crisis will be used to implement some crucial structural adjustments.

Similarly, I had a good feeling when Ramaphosa appointed Tito Mboweni as finance minister. Despite an ego and a few annoying habits, Tito is the best the ruling party has to offer. He knows the markets and he's got the experience. My hunch seemed to be confirmed when he made a few promising sounding comments regarding the SOEs - privatisation, no more bailouts, an overblown wage bill, frugality and so on.

These hunches led me to conclude that sanity would return, and that all was not yet lost.

Alas, not long thereafter, I got a hunch that my hunch was wrong, with the evidence emerging plain as the misguided nose on my face: The rot and the rotten remained, the bailouts continued, and Tito now supports the resurrection of SAA.

That, for the moment at least, has put paid to any fondness for hunches.

Next stop: Hypothesis.

So I'm ready to aim for the next level; formulating a few hypotheses based on obvious trends and data. After all, in our quest to get closer to the truth, a hypothesis ranks well above a hunch.

A hunch is a mere feeling or guess; a hypothesis is at least based on a measure of observation or data. Plus, while a hunch is a baseless deduction, a hypothesis is founded in sound thinking. It may still not be true, but in hierarchical terms it definitely outstrips a hunch.

There are, of course, a plethora of supporting data, emerging and existing trends in the spheres of politics and economics to support the formulation of several hypotheses on the direction in which the world is heading.

Here are a few examples: Globally governments are getting bigger and more prying, central banks are getting increasingly powerful, "technology" is omnipresent and consumer patterns are changing.

Now these trends were well on their way before Covid-19 hit our planet somewhere between an animal market in Wuhan and/or, if Trump's hunch is to be believed, a laboratory in the selfsame city.

What the pandemic has managed to do, is to accelerate them to the point of resembling perpetual motion.

The corona crisis simply seems to accelerate all these existing trends.

Next level, next devil.

From these trends several hypotheses can be formulated. Governments will continue to get bigger, more interventionist, more authoritarian and more powerful. State debt, already at record highs, will rise even further.

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Could this be the beginning of a new era of government radicalisms?

The world's major central banks will continue with their experiments covering the spectrum from ultra-low interest rates, and money printing, to their attempts to fine tune financial markets at any cost.

And then what? Inflation, financial collapse, depressions? Will technology take over our lives? Will overzealous governments use technology to up their control over us, not to mention following our every move? In short, are we entering the era of tech control and the omnipotent bureaucrat?

Back to the future.

In addition, based on preliminary data from countries that lifted their lockdowns, consumer and consumption patterns may have been altered permanently by the state of confinement.

Despite being allowed to resume their previous lives, people now seem to stay home more, visit restaurants less in favour of food delivery, and shift their consumption even more to online businesses.

These trends pose the risk of a devastating domino effect on some businesses and investments.

Many old-fashioned retail shops are likely to go extinct, with far-reaching implications for real estate and rental income, their losses being the gains of online businesses.

Lower costs and lower demand being all but a given, international inflation may fall ever lower in the short term, with implications for monetary policy.

Further observable trends seem to suggest that people are likely to travel less in future, accordingly and increasingly making use of an abundance of new applications in the services industry aimed at assisting professionals in fields such as finance, journalism and IT.

Conversely, services that cannot be digitised - e.g. hairdressing and vehicle repairs - may evolve into offering the equivalent of the travelling services salesmen, with further implications for real estate and retail space.

On the other hand, certain trends may reverse in future. More people opting to work from home may require more comfortable houses and even much bigger houses to accommodate working families.

This points to the need for more and better local community organisations, such as estates and virtual communities.

So what, you may wonder, is going to happen here?

These trends suggest to me a likely hypothesis, namely that personal freedoms will be curtailed, various new "controls" will be implemented, and taxes and red tape will increase.

We may be reaching the end of the era of individual liberty and a new variation of the Dark Ages, influenced and informed by a form of technological socialism signifying the end of capitalism as we know it.

Local, definitely not lekker.

When it comes to our beloved country, recent trends and economic outcomes support the hypothesis that our political leadership are mostly economic ignorami.

This hypothesis is based on several policy decisions (read: data) and comments that will clearly harm the economy.

In fact, clear empirical evidence exists of the negative impact of various decisions and comments, varying from threats to nationalise the Reserve Bank and change its mandate to printing money in an effort to "pick up the currency"" and steal private property through various schemes.

These being, as the saying goes, but a few examples, and they are bad enough.

But that these observations may well point to an even more ominous hypothesis, namely that our political leadership is well aware of the economic damage of their policies and actions, but press on regardless in their pursuit of certain ideological/social/political objectives.

This distinction is crucial: Is this government just ignorant or are they acting with intent? Spoiler alert: While difference is important, the eventual outcome could be similar.

So by now, I've probably fed you more than your recommended daily allowance of hunches and hypotheses.

Next on the menu is theory.

Implying readily evaluated data, and a variety of tested, reviewed and refined hypotheses, theory outranks both hunches and hypotheses. Of course theory can also be wrong and it can change over time, but in terms of our observation of the world, theory is as close as we can get to the truth, until it changes...

Right here and now, however, in terms of existing and generally accepted economic and political theory, South Africans should be particularly concerned.

Let's start with the data, which was clear even before the advent of Covid-19 (although I have a hunch that the virus will be blamed for the majority of our hardships for years to come).

The reality is that we have been in a recession for a while.

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A long list of undisputed and deeply worrying data prove the point. Herewith, again, but a few examples: per capita income has been falling for years, state debt levels have become unsustainable, the SOEs and local authorities have been financially and operationally all but annihilated, corruption is rife, much of the civil service is incompetent and overpaid and prescribed assets for pension funds are on the table for discussion.

We can only hope that the impact remains to prove a point and not our undoing.

Similarly, certain politically worrying trends were apparent before corona: policy uncertainty, double speak, infighting. Interventions more prescriptions, more power to the politicians, and so on, and so forth.

Now double, triple or quadruple that and you get the "inter-corona" picture, not to mention the whole sorry scenario, from ruinous political disunity and a further stumbling to the ideological left, to the whole truth and nothing but the truth regarding the predatory nature of the tripartite alliance.

Of course now we have the lockdown, which means the entire economic and political Pandora's box is unlocked, leaving hunches and hypotheses in the dust and a stark and grim

reality in our collective and personal midst: what is left of the economy will come to a halt, bureaucrats and politicians will grab more power, unemployment and poverty will rise uncontrollably, real hunger will set in and more social tension arise.

Even some institutions that have withstood the attacks from the ignorami, like the Reserve Bank, may eventually also buckle under the pressure.

And the theory states clearly enough what will follow then: inflation, very high and damaging inflation!

Unless...

But theory also tells us that it can be different. It is possible for governments to change track, to protect lives and property, to stamp out corruption, to become efficient and to serve the country.

It is possible, but unlikely. And that, I admit, may be just a hunch.

Dawie Roodt

Chief Economist
dawieroodt@efgroup.co.za

