

ECONOMIC COMMENTARY

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YOUR WEEKLY ECONOMIC UPDATE

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A SUBJECTIVE VIEW OF SOUTH AFRICA'S LONG-TERM TRAJECTORY

How you interpret the world around you and, subsequently, forecast what may be, is based on your worldview. Your worldview is, to a large extent, shaped by your external environment (experiences and exposure) and your internal thoughts and emotions. As such, no such thing as 'true objectivity' exists. If we take this one step further, we seem to reach somewhat of a self-fulfilling prophecy where what you think becomes you. Put differently, your plan (read 'forecast' or even 'strategy') shapes your thoughts which, in turn, shape your actions, which, ultimately, lead to that plan. It is important to understand that, in the long-term, what can be, can only ever be one of two things: up or down, growth or contraction. Remaining constant (moving sideways) over a protracted period can only occur out of time. On a larger macroscale, one can even argue that what can be can only ever be growth: think of the expansion of the universe or even creative destruction that optimally allocates scarce resources by weeding out lesser firms and allows stock exchanges to regularly reach new all-time highs. Considering this, how do we then interpret what has been occurring in South Africa (SA) in recent years and even in recent weeks?

This is an important question, because either your worldview was too narrowly defined and you missed the bigger shifts that have been occurring, or your actions do not align with your convictions, which, ultimately, leads to a lot of unhappiness and resentment. Remember, things can only go up or down, so these are the shakings of either another downward cycle or the start of an upward one. If you believe that we have entered a downward cycle, like many who hold firm that SA is turning into another Zimbabwe or Venezuela, then you should already be planning your escape (emigration). If you are not planning your escape, then you are not a prudent long-term planner, but, even worse (for your own well-being), your actions do not align to your thoughts. You must, therefore, either change your thoughts (forecast) or change your actions. Conversely, if you believe that we are in an upward cycle, then you have a moral responsibility to do something about it. Voting is one action. Keeping rioters at bay or coming together to clean the streets when they are done is another. So too is paying your taxes.

So, what has been happening? Since Cyril Ramaphosa took over as president many things (read 'structural reforms') that most people thought would never happen, happened. On the fiscal side, Eskom paid off an enormous amount of debt, South African Airways will be privatised, and the civil service wage bill is being cut. On the monetary and media side, the South African Reserve Bank and the press (representing our freedom of speech) maintained their independence. On the regulatory side, our judiciary held firm and corruption has been greatly reduced (Ace Magashule was dealt his last card, many allies were axed, and former president Jacob Zuma went to prison). And so the list goes on. Concluding that all this happened by random is ridiculous. There is enough research from a variety of different fields that conclude that only degradation/disintegration occurs without design; the aforementioned list is anything but disintegration. Concluding that all this would have happened without President Ramaphosa and his inner circle is just as preposterous. I once wrote during Zuma's presidency that the fruit of a corrupt leader is corruption, another principle that has been proven in business studies many times over. That is, bad leaders lead to bad strategies and/or implementation, which equals a bad time for business and the majority involved in business. From these observations, I would conclude that SA is heading towards growth.

Having made up my mind about what I subjectively believe will be, my thoughts and interpretations are aligned. Through this lens I see past short-term volatility, such as the recent riots. Any political analyst worth their salt would have sketched these riots as a very likely scenario and most would warn that more riots are on the way. In fact, a lot more volatility is on its way, but that is all part of the painful process of growing, of how society is removing the cancer that has been growing in it. I also view the lingering smell of government inadequacy and corruption through this lens. We always knew that it would not be a quick fix. I estimate that we need, at least, another six to eight years of growing pains: accountable political leaders and market-orientated policy.

