

A DEFINITIVE SHIFT IN SA'S LONG-TERM ECONOMIC TRAJECTORY

It is undeniable that South Africa's (SA's) economy is in a poor state. But evidence suggests that the rate of deterioration has slowed down considerably. In fact, a strong case can be made to show that the rate of improvement is greater than the rate of deterioration. And, if that is the case, the long-term trajectory is towards a flourishing rather than towards a withering economy, an economy where employment income and life expectancies increase rather than decrease. It is, however, important to understand that a cancerous economy does not get healthy overnight: Monetary and credit cycles, as well as internal cycles of conflict, take many decades to play out. Unfortunately, while many things are looking dire, too many South Africans fixate on the immediate and miss the important structural shifts that have changed our long-term trajectory.

When Jacob Zuma took office, it took him more than a full term to consolidate power and to sow the seeds of corruption, which eventually accumulated into, among others, state capture. But when Cyril Ramaphosa took over in 2019, another shift occurred. Not only did we now have a leader who understood wealth creation, rather than merely living off of the rents of others, but also one with fewer skeletons in his closet. Please bear in mind that perfect "hero leaders" only exist in fairy tales. When we refer to "President Ramaphosa", we are using this as a collective term for everyone who supports him and his policies.

The next big shift was to build on the work done by the Public Protector who helped us to get rid of Zuma. Ramaphosa (the collective term) cleverly used different independent inquiries to stop the rapid rate of spreading corruption. It started with exposing the Guptas and all those involved with state capture. Later, many heads rolled: Gigaba, Nene, and even Magashule. Afterwards, Zuma ended up in prison. Even if it was only for a few days, no one really believed that it would ever happen.

Another important structural shift occurred in government finances. The state privatised a poorly run state-owned enterprise (SOE) and reduced its wastage on the rest. To this end, South African Airways was privatised, just like alternative energy sources are now also being privatised. Privatisation, smaller wage increases, and the recent announcement that certain SOEs will not need to procure from black economic empowerment (BEE) suppliers indicate a potential and very important shift away from social upliftment (redistribution policies) towards economic upliftment (wealth-creation policies).

An important underlying social shift also occurred: South Africans have grown tired of social injustice and a poorly performing government. South Africans have not only started to vote accordingly but they have also started to band together across different races. When riots hit the heart of Pretoria, and while the devastating riots in KwaZulu-Natal were underway, it was not merely the police that jumped in but South Africans from all races. Although racism is still a very real problem, doing something about a poorly run government and widespread corruption, that is costing lives and livelihoods, has become a point of agreement and co-operation among South Africans.

Of course, much more work is still needed. Leaders in the public and private spheres must be held accountable. Destructive redistributive policies, like BEE, and the protection of employees at the cost of employers, must be better aligned with economic development goals. Government spending on education and healthcare must be improved, and spending on economic upliftment must be increased. But what is clear is that a growing remnant remains in SA that has helped to shift the economy onto the correct trajectory.