

## UNITED WE STAND, DIVIDED WE FALL

South Africa (SA) is in a peculiar place. For the first time, in a long time, the ruling party might not remain in power. Since the African National Congress came into power in 1994 many South Africans have started to question the party and their policies. Very few, if any, of the promises that were made almost three decades ago, have come to fruition. Weak, unaccountable leaders have left millions of South Africans wanting and there is simply no more room for excuses. Unfortunately, the prevailing economic policies that have taken root in our politics are insufficient. Although these policies were necessary for social upliftment, they have proven to be insufficient for economic upliftment, that is for long-term sustainable economic growth and job creation.

To create a growth environment where income rises rapidly, and unemployment falls at a similar pace, centralising power can help, although too much of it can lead to more corruption and state capture. But centralising power can only work if it is paired with right-leaning economic policies that create wealth. These policies include effective spending on infrastructure, education, and healthcare, and making it as easy as possible to do business in a country. Ease of doing business includes allowing citizens to contract freely with one another without hindrance or interference, making it easy to hire and fire employees, but also making it easy to start, finance, and sustain businesses. China, and possibly even Saudi Arabia, proved this. But when centralising power is paired with left-leaning social policies that focus more on wealth redistribution, governments fall short. SA has proven this time and again. What we have been left with is a country where citizens are socially free but economically imprisoned. We can vote, but half the population lives in poverty.

It is, however, important to understand that redistributive policies are not necessarily less effective, their outcomes are just vastly different from wealth-creative policies. Right-leaning, wealth-creative economic policies lead to economic freedom (high income and low unemployment), whereas left-leaning, redistributive policies lead to social freedom. Wealth-creative economic policies are the only policies that have been proven to generate a return on investment that is greater than their cost because their rate of return is higher. A good example is effective spending on primary and secondary education. What this does is that it rapidly increases the productivity in a country, this not only fills the skills shortage and makes employees more employable, but also gives citizens the basic tools they need to start their own businesses. Redistributive social policies can help to bring social equality, but because they often do not allocate resources effectively, their rate of return is too low to cover their cost, which ends up reducing the potential and relative size of an economy. This is one of the main reasons why we have record-high levels of unemployment. A simple example: Black economic empowerment (BEE) was effective in allowing more social development and inclusion. But because BEE allowed many candidates to receive jobs they might not have been the best, most productive fit for, inefficiencies entered and reduced the overall potential and size of the economy in the long term. BEE should have been a short-term solution that would later have been substituted with effective government spending, support, and the execution of education.

The answer, however, is not in either/or, but in both/and, because focussing too much on either wealth-creative or redistributive policies cannot lead to a sustainable outcome. Similarly, the answer is not in government, but in public-private relationships. No political party has the proven track record of most corporations in SA, therefore, it is a shame that government has been unwilling to learn more from them. United we stand, divided we fall.