



HOW TO GROW THE SOUTH AFRICAN ECONOMY

Theoretically, it is not difficult to grow an economy. But practically, it is a nightmare to execute. Although there are many ways to approach economic growth, I would like to focus on the collective ideas of improving the ease of doing business and facilitating sound money. Overall, these collective ideas can encompass most of what is needed to sustainably grow the South African economy. However, knowing what to do, or even how to do it, is not as important as knowing why you are doing it. We should have more capitalist collectivism and less bureaucratic collectivism.

Improving the ease of doing business

The ease of doing business is everything that is needed to start and to run a successful and sustainable business. It has nothing to do with the traditional idea of government support, and everything to do with guiding, gearing, and getting out of the way of entrepreneurs. Governments should only guide and gear industries that have a high multiplier, that is, those that generate wealth and, consequently, more jobs. Importantly, these industries must have export discipline, meaning that they must be able to compete internationally. Also, guiding and gearing should only be for a set period. The South African textile industry is, therefore, possibly the worst industry to support.

Why is it important to first create wealth and then to employ more people? And why is it important that businesses, and not governments, create jobs? Because businesses employ people in the most effective manner, not governments. Businesses create more out of nothing and employ out of excess. Add export discipline and businesses are forced to invest in technology and in their people in a way that enables them to compete internationally. Governments do not compete, they simply impose, and because they do not compete, they never learn the skill of wealth creation, and because they do not create, they employ out of lack. Then there is also the lack of pricing signals that is missing in the government sector which makes it almost impossible to effectively allocate scarce resources.

Practically, to improve the ease of doing business means to fix Eskom, fix our railways, get rid of employment equity policies, and pull the teeth of unions. But it also means protecting private property rights and allowing for free trade. How do you do this? By building momentum through doing small things right to build confidence that can lead to larger victories. It starts with keeping the streets clean, and it ends with an education system that can compete with the best in the world.

Facilitating sound money

Sound money is the two-fold working of healthy fiscal and monetary policy that creates an environment that is conducive to growth. In terms of fiscal policy, this means effectively spending on capital and spending less on current expenditure (salaries and grants). Capital spending includes, but is not limited to, infrastructure, education, and healthcare. Sound money also means not wasting money and being accountable for every cent that is spent. Furthermore, it means guiding and gearing industries that need the support to create the wealth that can later be distributed from the self-interest perspective of collectivism. In terms of monetary policy, it means creating a stable price environment without reducing consumer confidence.

Economic growth all starts with the correct ideology

Economic growth all starts with the correct ideology, or else you will lose yourself along the way, much like the government did during the Zuma era. Our current ideology must lean less towards bureaucratic collectivism and more towards capitalist collectivism. Because our ideology is incorrect, private property rights are not protected like they should be to incentivise and facilitate the wealth-creative process of entrepreneurship.

However, the idea of collectivism is important because government should channel the efforts of capitalists (entrepreneurs) towards those industries that generate the greatest sustainable returns, that is, those that have the highest multipliers in a way that benefits all stakeholders. Moving to a collective self-identity, like the Rainbow Nation that we had under Nelson Mandela, will come naturally as government wins back the confidence of its citizens.