

WHY SOUTH AFRICA'S ECONOMY WILL NOT SLIP INTO THE ABYSS

Over the last couple of years, we were often asked by both local and global investors if South Africa will become the next Zimbabwe or Venezuela. Today, this question seems more relevant than ever but, still, the answer remains an unequivocal no. As bad as things have become, there are five specific forces that work together, like reinforced concrete, to keep us from falling into the abyss. These forces are:

- + **A functioning democracy:** Our democracy might be unhealthy, owing to decades of corruption, state capture, as well as unaccountable and weak leaders, but South Africans still love their democracy and still believe in their individual freedom. This, in turn, protects our freedom and private property rights. Because our democracy is functional, we can by means of our vote change things, which is why every single vote matters. This is not the case in many other struggling emerging economies.
- + **Freedom of speech:** Before President Cyril Ramaphosa took office, when corruption was at its peak, freedom of speech was under constant attack. Now, the media is, once again, able to name and shame, as well as bring to light all of the shortcomings and corruption within the South African economy. In this way, we can get rid of bad apples and push our economy towards a new trajectory. In many other struggling emerging economies, this is not the case.
- + **Rule of law:** Although our rule of law is under severe strain, we are still able to take someone to court to fight for justice, even if that someone is a state-owned enterprise or a friend of a person of interest. This is not something that happens in most other struggling emerging economies. Our rule of law still helps to protect individuals and their property. Unfortunately, the rule of law breaks down at the enforcement level, that is, at policing. But this, in turn, creates opportunities in private security. Because of poor policing and the strain that our rule of law is under, it is becoming increasingly important for citizens to self-regulate and to not be part of the problem: Do not pay bribes, do not drive in the yellow lane, things like that.
- + **An independent central bank:** Although recent decisions taken by the South African Reserve Bank left many experts and consumers in shock, their independence means that corrupt officials cannot simply print money as they please. We might not agree with their zealot-like ideology, where an extra percentage point of inflation is the worst thing that can happen to our economy. But their ruthlessness has worked out well for our economy in the past.
- + **A strong and liquid financial market:** Because everyone's fortune is somehow connected to our financial markets, bad policy translates into unhappy voters, which puts the squeeze on a dysfunctional ruling party. Liquid markets mean that we can borrow in South African rand, which is also not something most other developing countries can do.

The ruling party has, indeed, failed us but these five forces work together like reinforced concrete to keep the South African economy on the right side of history. At the heart of these five forces is the individual. An individual that must take responsibility for their own life by voting, by self-regulating, and by creating opportunity and wealth.