

ECONOMIC COMMENTARY

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Towards a more equal South Africa

For almost three decades, the ruling party in South Africa (SA) has been relying on redistributive policies to build a more economically-just society. In doing so, SA's inequality, as measured by the Gini coefficient, improved but only marginally. Unfortunately, SA is still the most unequal country in the world. But by using the incorrect policies, we now also have the highest unemployment rate, especially if we consider youth unemployment and that almost half of our population still lives in poverty. Life expectancy, an aggregate measure of success in advancing human life in a country, has remained unchanged. On this front, the ruling party has failed SA fundamentally. On the other end of the spectrum, after about four decades, the Chinese government used wealth-creative policies to significantly improve access to healthcare, education, and other services, while lifting more than 800 million people out of poverty. Life expectancy in China increased from 70 to 78 since 1995. From this perspective, we believe that it is easy to conclude that what the Chinese government achieved is much more "just" or, put differently, equitable.

Social-upliftment policies in SA focus mainly on redistribution, with black economic empowerment (BEE) at its core. Economic-upliftment policies in China, but also those which saw South Korea rise to prominence, focus on wealth creation. Even those social-upliftment policies that China had, for example, the redistribution of land, were tied to economic principles of productivity and surplus. Charity of this kind was to allow for subsistence farming, that is, to redistribute from one class (or race) to another. Even the core of China's Communist Party policies is linked to market efficiencies. Civil servants and grant recipients are held accountable for their development, that is, they are individually responsible to contribute to society in a meaningful manner. Similarly, companies who receive subsidies are held accountable through export discipline: Lucrative tenders are not awarded to enrich themselves or those closest to them. If any business, or individual, does not produce competitively, first in the local market and then internationally, they are cut off from state support.

South Korea used a similar strategy and three decades later had Kia and Samsung, both industry leaders in their respective fields. By linking redistributive policies to the ruthlessness of market efficiency and export discipline, individuals, companies, and even the government are forced to invest in labour, capital, and technology to remain internationally competitive. The result has been extreme surpluses and extreme amounts of wealth in China and South Korea. It is important to note that, although the Chinese authoritative model will not work in SA, South Korea, among others, was able to achieve similar results with a system that allows for freedom and individual expression.

Wealth-creative policies are, therefore, able to create an environment of participative justice, equal access to private property, and opportunities to engage in productive work. It is important to note equal access, not equal result. Equal result speaks of charity, which is a result of redistributive policies that are unable to create opportunities like wealth-creative policies can. The next stage of our development in SA must, therefore, be wealth creative. All forms of government assistance (grants, subsidies, and even social-upliftment policies like BEE) must be tied to productivity and to producing internationally-competitive employees, products, and services. In this way, recipients and civil servants are forced into accountability, into taking responsibility for their decisions, actions, and, most importantly, their results. Finally, we must invest more in wealth-creative policies like education, healthcare, and infrastructure. But crucially, when we do, these too must be linked to export discipline through accountability.

Efficient Group

