

## ECONOMIC COMMENTARY

- Dr. Francois Stofberg

### YOUR WEEKLY ECONOMIC UPDATE

11 October 2023

#### WHAT TO DO WHEN THINGS GET A LOT WORSE IN SOUTH AFRICA

In the immediate term (three to five years), things can get much worse in South Africa (SA). Each South African must, therefore, decide if they will sit back and blame others or if they will act and make the most of it. In the end, there is one of two decisions: Blaming or changing, which stems from being passive or active, which, ultimately, stems from your worldview (whether you are, generally, pessimistic or optimistic).

The reason it is so simple is because in the (very) long term, let us say 20+ years (although in certain instances cycles can be longer), most things can only either shrink (through passive pessimism or contractionary action) or grow (through hopeful action). Most things cannot stand still/remain unchanged in the (very) long term.

If someone's worldview is, therefore, pessimistic (SA will deteriorate in the long term), then the natural conclusion would be to leave SA because staying would only serve to make someone more pessimistic, which is harmful to the individual and to others. If someone's worldview is hopeful, then the natural conclusion would be to change, grow, learn, and make the most of the currently deteriorating environment. It is worthwhile noting that Warren Buffett and Bill Gates, among others, created their fortunes in similarly dismal macro-environments: Buffett made his first million dollars during the stock market crash of 1962, and Gates founded Microsoft in 1975 during the depths of the 1973-1975 recession.

Hope forces individuals to take responsibility and ownership, to change themselves, to act, and to keep on improving until the environment itself changes. Pessimism, conversely, is mostly passive: It does not take responsibility or ownership, it does not change internally but rather looks outward and blames others. This is because the natural state of many things is deterioration (contraction) but a harvest (abundance or productiveness) is produced through deliberate (hopeful) and often painful action. In some cases, however, pessimism is not only passive (passive pessimism) but actions that are contractionary (contractionary action). Collectively, hopeful individuals who act produce a productive (growing) macro-environment whereas pessimists who remain mostly passive (act contractionary) produce a shrinking economy. Unfortunately, we have seen more of the latter in SA over the last decade or so but it is not something we believe will persist in the long term. We believe that hopeful South Africans will, once again, take responsibility and ownership, grow personally, and force the collective action needed to produce productive change.

Some guidance for those individuals who have decided to stay, which are, by implication, those who have decided to remain hopeful: As the government sector continues to deteriorate, it will, most likely, have to increase taxes and partake in other actions that will lead to further deterioration, perhaps even going into nasty coalitions. Hopeful individuals will, therefore, have to do a lot more and create a lot more wealth. However, something that pessimists do not understand is that, as things get much worse in SA, the government's role and influence will continue to deteriorate, which creates a lot more room in a free democracy for doing things right and for creating wealth. The boom in privatisation, as we have seen in security, electricity generation, and travel, will continue. These are only a few areas where tremendous amounts of wealth have been created by hopeful (action-orientated) South Africans. You might, however, want to consider protecting that wealth by externalising ownership and making hard currency investments.

Efficient Group

