



ECONOMIC COMMENTARY

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financial well-being*

WHY RACISM IS ECONOMICALLY FOOLISH: A SOUTH AFRICAN PERSPECTIVE

Racism, in any form, is more than just a moral failing, it is economically foolish. Around the world, and especially in South Africa (SA), history has shown that discrimination weakens nations. It undermines trust, cooperation, and innovation. It fractures societies into competing factions rather than building unified, productive communities. And, perhaps most importantly, it has never produced sustained prosperity.

SA knows this better than most. Under apartheid, millions were deliberately excluded from full economic participation. This was not just morally wrong; it was economically catastrophic. A vast majority of the population was denied jobs, opportunities, and ownership, suppressing consumption, shrinking the skilled labour force, and limiting domestic investment. By the 1980s, the apartheid economy had hit a wall. Sanctions compounded the damage but the real rot came from within: A system designed to exclude had made growth impossible.

When the country transitioned to democracy in 1994, the world watched as Nelson Mandela and his peers chose unity over revenge. For a few years, the Rainbow Nation felt like more than just a slogan. The economy grew. Investment returned. There was energy and hope. That momentum, however, slowed as new challenges replaced old ones. And instead of eliminating racism, SA allowed it to resurface.

Today, racism persists not just between black and white South Africans but also between other racial and ethnic groups. Instead of building on our diversity, many leaders have leaned into racial narratives that divide, isolate, and polarise. This is not only socially toxic but also economically irrational. Racism fragments society, erodes trust, and blocks collaboration, which are the very things that economic progress depends on. No company, government, or society can thrive if its people are pitted against each other. Research consistently shows that inclusive teams are more productive, creative, and profitable. A report by McKinsey in 2020 found that companies in the top quartile for ethnic diversity were 36% more likely to outperform on profitability than those in the bottom quartile. Inclusion, in other words, is not charity, it is strategy.

This is where SA's current policy framework, particularly redistributive efforts like Black Economic Empowerment (BEE), needs a hard rethink. While BEE may offer a degree of social recognition, it does not (and cannot) create economic freedom. Redistribution can only ever reallocate the existing pie. It cannot grow it. Economic freedom comes from expanding opportunity, not from transferring privilege. It requires investment in education, infrastructure, and entrepreneurship, not compliance checkboxes and politically-connected deals. In fact, by discouraging merit-based hiring and contracting, BEE and similar policies may unintentionally lower productivity in the long run. Over time, this can lead to declining competitiveness, reduced innovation, and lower job creation. Worse still, the policy has been co-opted in many cases by elites for personal enrichment, rather than for broad-based upliftment. This misuse not only fails to empower the majority but also fosters resentment among minorities who feel unjustly excluded from opportunities.

This new form of discrimination, while understandable in its historical context, is equally harmful. Racial exclusion remains exclusion. It weakens social cohesion and pushes people, talent, and capital away from our country. Elon Musk's public refusal to launch Starlink in SA, owing to local equity laws, is just one high-profile example. Many others are quietly leaving or withholding investment.

The real solution is not race-blindness or the denial of our painful past. It is leadership that is courageous enough to see past short-term political wins and focus on building a society that works for everyone. That means smarter empowerment policies that prioritise building real capacity. That means governance that models real inclusivity. And that means rejecting the populist politics of racial blame and instead choosing a future based on shared values and common goals. SA has an extraordinary opportunity to demonstrate what is possible when a country rejects racism. To move forward, we must leave behind the dangerous belief that one group's gain must come at another's loss. Prosperity is not a zero-sum game. It is built together, or not at all.

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