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MOTSWEDI
Economic Transformation Specialists

Mark's musings

South Africa needs economic wins.

A colleague of mine was chatting the other day about the metaphor of the frog and the pot of boiling water. The metaphor goes that if you drop a frog into a pot of boiling hot water, the frog will do all it can to escape the boiling water. However, if you drop the frog into a pot of cool water, the frog will stay in comfortably, even as the heat is slowly turned up, the frogs does not try to escape and soon the water starts to boil and the frog boils to death. She made sure to remind me how macabre the metaphor is.

The South African middle class frog

Tracing back to about 2008, South African politicians across various parties chose to put party politics ahead of South Africa's citizens. This political decision ultimately resulted in stagnant economic growth and an economy that rewarded corrupt patronage networks where deployed members have been prioritised at the expense of skill and implementation experience.

As a result for the past 15 years the South Africans middle class has been the frog in warm water and today the water is hot. The middle class are in debt, they are bearing the brunt of poor political governance, poor decision making and poor political leadership. Middle class families in blocks of flats, suburbs and townships across South Africa are loosing their homes because they are struggling to keep up with home loan repayments (even though interest rates are coming down), the above inflation increases of municipal services costs and the overall high cost of living.

Recovery post 2008

Many may remember the Global Financial Crisis of 2008 which derailed economic growth world wide. Post the crisis, South African politicians said all the right things, they emphasised the well thought through policies they were implementing and that they were going to lead us to grow an inclusive economy which would build a thriving middle class, cut unemployment and significantly reduce poverty and inequality, ie. the change we would all have liked to have seen by now. But sadly this has not come to pass.

What actually happened was that other emerging economies started recovering and growing. In fact these emerging market peers grew at an average of somewhere between 3%-4% per annum. This in comparison to South Africa's economic growth during this period which averaged less than 1% per annum. If South Africa had just kept pace with our fellow emerging market peers and efficiently implemented the good policies that politicians spoke about; unemployment would be at least half of what it is today. This was self inflicted.

"You can fool some people some time, but you cant fool all the people all the time."

South Africans and the middle class in particular are placing the blame at the feet of politicians and with almost 15 years of poor economic growth, they have every right to do so. Voters are voting with their feet and they have punished the majority party for it. In response, political leaders have resorted to strangling corporate South Africa for not doing what Government was supposed to do.

We need wins

But lets not throw the baby out with the bath water here; how might we use these transformative policies to reward the creation of long-term employment, investments into entrepreneurial businesses, good educational outcomes and getting more people into the middle class. Government should be focused on creating an economic environment which will foster economic growth.

- Build the factory, lets engage on how you will be transferring skills.

The case for Growth

Our reality is that South Africa needs economic growth of about 5% per annum for a prolonged period of time to solve our problems – this is our challenge. So back to the metaphor of the frog, I see two pots on the stove.

- Pot-One, a pot of ongoing politically sustained patronage, slow economic growth and unemployment – this does not end well for the frog.
- Pot-two, a pot where politicians put South Africans ahead of their party, where there is outcomes based focus on economic transformation which will lead to economic growth, but with short-term corporate concentration and low trust – the water stays hot, for now.

Both pots are not great options, but the pot that has the option of economic growth and the opportunity for solving the problems of unemployment, poverty and inequality, may well be the better of poor options.