

BMF ANNUAL POLICY CONFERENCE

PANEL DISCUSSION

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RECONSTRUCTING SOUTH AFRICA'S ECONOMIC PATH

There are two elements to the theme of our session: identifying key components of the South African economic system and evaluating the Reconstruction and Recovery Plan. Minister Mmamoloko Kubayi has adequately dealt with the Plan and so, the accent of my presentation will be on broad contours of the economic system.

There are, in my view, three fundamental issues on the South African political economy that deserve reflection.

The first one is about avoiding acontextual presentism, that, to quote Tallant and Ingram¹ 'the past and the future do not exist... at all since they do not exist now'. In most of current discourse, there is a tendency to underplay the fundamental social changes that have taken place since 1994. Just to quote statistics relevant to Black managers: with regard to skills distribution, Blacks have become the majority in skilled and professional categories and their proportion at senior and top management is rising. Students in tertiary institutions are now double the number in 1994, and African students are about three-quarters of that complement, compared to less than half in 1994.

It is one thing to debate the extent and pace of change; but another to deny all that has happened in the past three decades. If we allow this 'accontextual presentism' to gain currency, we may end up even clamouring for our pre-1994 enslavement.

The second issue is a form of fatalistic pessimism – that South Africa is incapable of high rates of growth and, in the brief period when there has been such growth, it was jobless. The fact of the matter is that, in the twenty years before 1994, the per capita growth declined by about 11% (what has been referred to as a 'demographic recession'). The twenty-one years after 1994 saw growth per capita increasing by about 33%; however, it declined by about 3% between 2014 and 2019. During the period of high growth in the 2000s, unemployment was reduced from about 31% to 23%.

The third fundamental element of the South African political economy is dualism in paths of development. The advanced section of the economy (what one can refer to as the metropolis) has been chugging along; and more Black people have been absorbed into its orbit. The so-called Black middle class now constitutes the majority of these social strata. However, even during years of high economic growth, social inequality worsened, in part due to disparity in asset ownership. Critically, large sections of Black people remain excluded from meaningful economic activity. Therefore, when we talk of reconstruction and recovery, this should not only be about the advanced economy which largely absorbs skilled people – but critically, about lifting the majority of the unemployed who are, in the main, semi-skilled and unskilled.

¹Ingram, David; Tallant, Jonathan (2022), "[Presentism](#)", in Zalta, Edward N. (ed.), *The Stanford Encyclopedia of Philosophy* (Spring 2022 ed.), Metaphysics Research Lab, Stanford University. Accessed 2022-10-26

What one is arguing is that there has been fundamental change since 1994; and that South Africa is capable of higher rates of growth. But, the progress has excluded the majority of Black people, especially youth and women.

How would we describe the environment today? We all are aware that South Africa is deep in a dystopia of dreams deferred. We can blame the intercession of Covid-19, the 2021 July uprising, natural disasters and now the war in Ukraine – all these heaped on top of what the ten years of state capture wrought on society. But we also need to acknowledge that South Africa had been trending downwards even before these disasters.

Now, can we climb out of this?

In the history of human civilisation, after epoch-making disasters, societies veer towards renaissance or social revolution or dictatorship.

South Africa is at that crossroads, and, in my view, we are capable of a renaissance. There have been commendable attempts over the past two years to identify common interests, and the Reconstruction and Recovery Plan emerged in this context.

Just to underline what Minister Kubayi has presented: Beyond the billions allocated to infrastructure, opportunities have been opened in electricity generation, railways, the ports and other infrastructure to combine the capacities of both the public and private sectors in terms of financial and human resources. The transition to a low-carbon economy can undergird a new industrialisation drive – affecting mining, manufacturing and services. Spectrum allocation and sectoral master plans have huge catalytic growth potential. It is estimated that these reforms as well as public and youth employment initiatives can, in the medium-term, bring South Africa's growth rate to around 4%. In my view, the growth could even be higher, if we also focus on lifting unskilled and semi-skilled workers through, for instance, low-end manufacturing and services, small-scale agriculture and small business, particularly the informal sector.

Naturally, we are consumed by the current negative realities. But, beyond the present and its time lags, South Africa can in fact enter a new era of faster growth and development.

Black managers have an important role to play, as thought-leaders in pursuit of social transformation, in promoting social compacting, and in ensuring ethical conduct across society. They can play a central role in addressing security challenges in State-owned Enterprises, such as Eskom and Transnet, and in defending democracy. In Black managers' campaigns to break the chain of reproduction of racialised poverty and inequality, we should not only focus on advancing the Black elite; but also, on unskilled and semi-skilled workers; on asset-redistribution including through Employee Share-ownership schemes (ESOPs), community ownership and land reform.

Herein lies one's optimism. Certainly not Panglossian – because it depends on whether we muster our collective strategic acumen to do what it takes to change the country's socio-economic trajectory.

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