GOVERNMENT & BUSINESS SHOULD STAY FOCUSED ON REFORMING ECONOMY

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The BRICS euphoria has come and gone. Interest rates remain very high. The currency has not improved much. Load shedding continues unabated. Inflation is moderating, but the cost of living is not subsiding. It could help to reduce interest rates, even by 25 basis points. The second half of 2024, when interest rates are expected to start declining, is far away for many people: cars and properties are being repossessed.

Although the average nominal take-home pay – as measured by the BankservAfrica Take-Home Pay Index (BTPI) – appears to be stabilising many people remain in debt. The unemployment rate also remains very high. Even if salaries are stabilising – indeed, even if they increase – there are many who are not receiving salaries.

Many people therefore remain in hardship. The salary in an average household has to help more people, such as relatives and others who need financial assistance.

Government must do something, as must the private sector and trade unions. Business and government recently met to discuss ways in which the two sectors could work together to overcome obstacles facing the country. This is commendable.

Ideally, government should also meet the trade union sector, which is critical for the South African economy.

The three sectors are very important in addressing the complex challenges that South Africa faces. Most importantly, there should be concerted joint efforts in restructuring the economy. Similarly, policies should be clear, comprehensive and implemented.

Another important issue relates to economic reforms which are being pursued. However, the South African economy needs more than these: it requires restructuring, as many have been arguing.

Economic performance globally and in South Africa is expected to remain weak for a while. As indicated earlier, inflation is not projected to decrease fast enough. It might even increase.

El Niño is anticipated and it is associated with drought. This is cause for concern, especially given that we have been experiencing La Niña, which is associated with above-average rainfall in summer.

The frequent increases in interest rates in recent months have raised them to levels last experienced in 2009. However, it is somewhat positive that the currency has not further deteriorated lately. By implication, although some of the increases in interest rates were questioned, it appears that the SA Reserve Bank did the best it could in the circumstances.

Overall, effectively, all economies have not yet returned to pre-Covid-19 performance. Emerging markets are doing slightly better and their economic performance should improve in the coming years. South Africa, however, which is also an emerging market, continues to perform poorly. It had still not recovered from the global economic recession when the coronavirus disrupted the initiatives that were being implemented to strengthen it.

It is in this context that organised labour, the business sector and government should be serious about socioeconomic development.

Without a doubt, government should lead, as it has previously done in a respectable manner. During the 1990s, government pursued critical reforms which stabilised the economy that the apartheid regime had effectively decimated. During the 2000s, there were reforms aimed at equitable distribution of the economic dividend after years of stabilising and growing the economy.

We responded well to the various economic crises of the 1990s and 2000s, although the South African economy has performed below par since 1994. We brought together all critical role-players in the economy when the great recession affected us severely. Government also led all relevant sectors to respond to the negative economic impact of the Covid-19 pandemic.

However, South Africa has not been able to address the most important issues in this regard. The structure of the economy has remained effectively unchanged since the dawn of democracy. Understandably, government cannot restructure it alone. The private sector must play a big role, as must the trade union sector, albeit in limited ways.

There are few instruments at the disposal of a government to restructure the economy. Put differently, the private sector has to partner with government if interventions to restructure the economy are to succeed.

Organised labour should play its part too.

Needless to say, a robust economic policy is necessary for socioeconomic development. The Accelerated and Shared Growth Initiative for South Africa was the last document we had which attempted to present a clear and comprehensive economic policy for the country, although it was not as robust as the Growth, Employment and Redistribution Macroeconomic Framework.

South Africa is in desperate need of an economic policy.

Other policies are also needed. Among the most critical ones is social policy, which should work in tandem with economic policy. Research confirms that social policy has a positive long-run impact on socioeconomic development. Improvements in social policy ameliorate the human development index, for example.

Government must not be shy to play a role in the economy. Research supports that view. For instance, government spending has a positive impact on socioeconomic development, more than economic growth contributes to socioeconomic development (at least, according to my research).

Lastly, South Africa has not had a clear development agenda which would have taken into account perspectives and insights from research and advice from others.

The role of social policy would have been more pronounced in such a development agenda, as well as an important link to economic policies.

It is about time – indeed, overdue – that research explicitly informed policies and the various initiatives aimed at improving socioeconomic wellbeing in South Africa.