



Raymond Parsons



The paradigm must shift

Domestic factors have been the main causes of SA's predicament, and anxiety about the future now dominates economic performance

How does one craft a durable economic analysis when tense political events in SA are reverberating across the country? A preoccupation with what Moody's, Standard & Poor's and Fitch may do to SA's investment rating this year must remain a defining component of the present economic and political debate.

Any assessment of SA by the credit rating agencies no longer rests solely on domestic fiscal metrics but includes an evaluation of our political economy.

Hence events like 9/12, "Guptagate" and the conflict between finance minister Pravin Gordhan, SA Revenue Service commissioner Tom Moyane and the Hawks are highly relevant to critical appraisals of SA's likely economic performance.

A downgrade to junk status will be painful for the public and private sectors alike.

Every effort must be made to avert it, as it would take years to regain lost ground.

But if SA is to claw its way out of a bad space a further question must be asked: how did the economy drift into this

situation in the first place?

After 22 years of democracy, SA has sundry achievements on the positive side of the national balance sheet. It has pockets of excellence in its economy on which to draw to build a better future. The National Development Plan (NDP) was intended to outline the economic road ahead in an inclusive manner.

Yet the warning signs have been visible for several years. SA is suffering the cumulative effect of previous bad economic, fiscal and sociopolitical decisions. Even many well-intentioned plans have been unable to gain traction.

We have abounded in projects and disappointments. Persistent ambiguity in key policies, their inner contradictions and a

failure to implement have been among the principal causes of SA's present economic malaise.

Even allowing for global economic headwinds, it is apparent that domestic economic, social and political factors have been the major forces shaping the serious predicament in which the country now finds itself.

It has become a crisis of confidence. Anxiety about the future is now a leading determinant of SA's economic performance. We must learn from our mistakes, not repeat them.

It is this negative picture that has set the alarm bells ringing among credit rating agencies and financial markets which, compounded by a breakdown in social cohesion, has brought SA to its present impasse. It will require decisive action and inspired leadership to break out of it. And we cannot expect institutions like national treasury and the SA Reserve Bank to do all the heavy lifting.

A positive feature of the latest situation is the extent to which it has brought government, labour and business together in the face of common threats. This essential teamwork must result in a sustainable partnership which will deliver concrete action. The

gap also needs to be closed between what government wants and what business needs to make a success of the NDP.

A weakness in the present setup remains the extent to which organised business is fragmented and unable to speak collectively with a unified voice. The stronger the influence of legitimate organised business, the less the risk of "crony capitalism" becoming toxic.

Protracted political and policy uncertainties remain major constraints. Good institutions in SA have been badly eroded under the weight of corruption, patronage, careerism and racism. Development in SA without efficiency constraints cannot long endure, as such institutions are intrinsically brittle. But unless there is also a dramatic political paradigm shift it is hard to see how confidence and trust can be restored soon.

The challenge is to tackle all this before it is too late and to make reforms irreversible. We need to hold any gains once made and avoid the relapses that have chronically characterised our economy and governance. ■

Parsons is a professor at the North West University School of Business & Governance