

## NEVA MAKGETLA: SA can build on accomplishments of past 25 years

Admittedly we have a long way to go, but inequality would be worse were it not for very large redistribution through the state

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South Africa map with flag. Picture: ISTOCK

We all know parents whose children can do no wrong. They are second in annoyance only to parents who never appreciate their kids' innate grace and perceptiveness. That said, it's hard to be objective about one's own offspring.

That's true about the South African economy, too. In some circles, both right and left, if you say anything at all is going well you'll be trashed as an apologist. Meanwhile, some observers highlight only SA's economic achievements and painstakingly ignore anything that is off message.

Underlying both of these approaches is an unwillingness to deal with the complexity of modern economies, which generate contradictory outcomes, lots of data and few silver bullets. The fact is that since 1994 some things have gone very right, while others have gone really wrong. Moreover, most economic outcomes are not a result of the government policies, which are tightly constrained by global and international trends.

In practice, growth and investment in SA correlate most closely to the international price of mining products, which reached a 30-year high in 2011 and then crashed. In addition, policies that work in relatively equitable and diversified economies often don't function well or at all in countries which, like SA, depend on mining and are highly unequal.

A more objective assessment requires a balance sheet approach that tries to see both the strengths and weaknesses in the economy and benchmarks them against peer economies rather than utopia.

To start with, the economy has grown more or less as fast as other upper-middle-income economies, if we exclude China. China accounts for about half the production of the global south, so it dominates the data — and it has (reported) extraordinarily rapid growth since the 1980s. Take China out and SA looks remarkably like its peers.

If we restrict the analysis to economies that depend on exports of oil or metals, SA looks much better. As a group, excluding SA upper-middle-income economies in this group on average saw growth of 5% from 2002 to 2011, during the commodity boom; a slump to 1.4% after the boom ended; and crashed to 0.4% from 2015 to 2017 — the latest data available.

For its part, the South African economy grew at 4% a year during the commodity boom, 2% a year from 2011 to 2015, and 0.9% a year from 2015 to 2017. In contrast, upper-middle-income countries that did not depend on mining, excluding China, averaged growth at just over 4% from 2001 to 2017.

In terms of joblessness and inequality, in contrast, SA remains far below the international norm, despite some progress since 1994. The share of working-aged people with employment has climbed from 37% in 1996 to about 43% today — but the international norm is around 60%. At the current rate, SA will only catch up decades from now.

Meanwhile, of countries that publish data on income distribution – some two thirds of the total – SA has long ranked as the most inequitable. It stands out for unusually deep gaps in pay scales, ownership and access to quality education.

Inequality would be worse were it not for very large redistribution through the state, mostly in the form of social grants, education and health services, and infrastructure. The long history of neglecting black communities has left a deep mark, and services remain worse in poor areas than in the leafy suburbs. Still, SA has essentially caught up with peer economies when it comes to access to basic services and education.

Clearly SA has far to go to achieve a prosperous economy that is fair to all its citizens. But if we do not acknowledge the accomplishments of the past 25 years we cannot hope to build on them. With elections coming up it's important to be realistic, or we may end up grasping at magical solutions and symbolic gestures that have no real plan or hope of success.

- *Makgetla is a senior researcher with Trade & Industrial Policy Strategies.*