WORKING PAPER

VISION 2035 A NEW WAY FORWARD: A MANIFESTO FOR ECONOMIC TRANSFORMATION

SPI
SOCIAL POLICY INITIATIVE

DUMA GQUBULE | SEP 2022

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
1. INTRODUCTION	4
2. MACROECONOMIC POLICIES AFTER 1994	10
3. THE SECOND LOST DECADE	14
4. STRUCTURAL AND RACIAL TRANSFORMATION AND CLIMATE CHANGE	15
5. UNEMPLOYMENT TRENDS SINCE 1994	18
6. EMPLOYMENT POLICIES AND PROGRAMMES SINCE 1994	21
7. STATE CAPACITY	24
8. INTERNATIONAL BEST PRACTICES IN ECONOMIC DEVELOPMENT	26
9. THE WAY FORWARD	29
9.1 A MOBILISING VISION AND PLAN	
9.2 A BASIC INCOME GRANT (BIG) AND UNIVERSAL SOCIAL SECURITY	30
9.3 A JOB GUARANTEE	31
9.4 INDUSTRIAL POLICIES	32
9.5. INFRASTRUCTURE	33
9.6 UNIVERSAL PUBLIC SERVICES AND HUMAN DEVELOPMENT	

10. MYTHS ABOUT PUBLIC SECTOR FINANCE 34

11. FINANCING A FISCAL STIMULUS FOR SOUTH AFRICA 39

APPENDIX ONE: THE ALTERNATIVE SIX PILLAR POLICY SCENARIO 42

APPENDIX TWO: BIG AND CHILD SUPORT GRANT SCENARIOS WITH A 70% UPTAKE 44

APPENDIX THREE: UNEMPLOYMENT SCENARIOS 48

APPENDIX FOUR: RESTRUCTURING THE SA INC. BALANCE SHEET 50

REFERENCES 53

ISBN:
978-0-6397-2925-1
PUBLISHER:
Social Policy Initiative
EXECUTIVE DIRECTOR:
Isobel Frye
AUTHOR:
Duma Gqubule
DESIGNER: Christopher Vermeulen

87 De Korte Street,
South Point Corner,
Office 401,
Braamfontein,
Johannesburg, 2001.

t. +27 11 833 0161
isobel@spi.net.za
duma.gqubule@gmail.com

facebook.com/SPI
instagram.com/spi_za/
twitter.com/SPI_OfficialZA

A BIG WILL STIMULATE ALL LOCAL ECONOMIES

FROM SOWETO TO THE CAPE FLATS

BASIC INCOME GRANT

MOBILISING A VISION & PLAN FOR THE ECONOMY

OBJECTIVE OF FULL EMPLOYMENT BY 2035

A NEW MACROECONOMIC POLICY FRAMEWORK

BINDING ON NATIONAL TREASURY & THE RESERVE BANK

EXECUTIVE SUMMARY

South Africa's economy has performed dismally since its miracle transition to democracy in 1994. Between 1994 and 2021, the country's Gross Domestic Product (GDP) per capita increased by only 20.5% (SARB 2022). After 28 years of democracy, South Africa is now an unviable society with high rates of unemployment, poverty and inequality with Black African women bearing the brunt of the government's failed economic policies. During the second quarter of 2022, there were 12.3 million unemployed people. The country had unemployment rates of: 71.9% for youth, 48.3% for Black Africans, 51.3% for Black African females, 51.8 % in the Eastern Cape, 49.4% in Kwazulu-Natal and 49.2% in the North West. The unemployment rate for people of all races was 44.1.%.

About half of South Africa's population lives in poverty and more than one in five people have inadequate access to food. There were 29.1 million people – 48.9% of the population in 2020 – who were living in households that had a per capita monthly disposable income that was below Statistics South Africa's upper bound poverty line of R1 300 a month. Ten million people and three million children were in households affected by hunger in the last seven days during April and May 2021. South Africa is also the most unequal country in the world, ranking first among 164 countries. The top 10% earn 66.5% of wealth and 85.7% of wealth. The top 1% earn 21.9% of income and 55% of wealth.

South Africa had a "lost decade" during

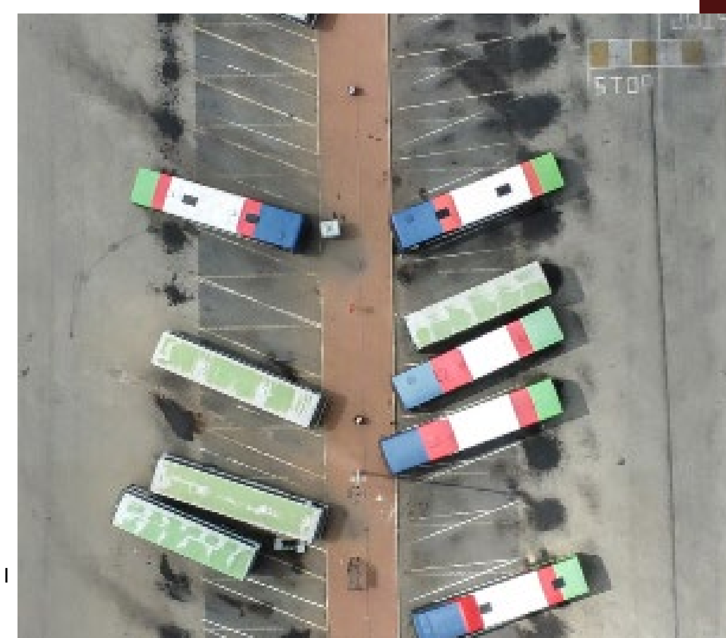
which GDP per capita did not grow between 2009 and 2019. After a technical rebound in 2021 from the previous year's recession, most forecasts say the economy has returned to its pre-pandemic trend of low GDP growth. The government's own forecasts show that it does not believe that its own recovery plan will result in higher rates of growth. On the current trajectory, the South Africa is on a dangerous economic development path. It is heading towards a second "lost decade" and a dystopian future with rising levels of unemployment, poverty and inequality that will result in repeated cycles of political and social instability. The time has come to change course and chart a new path towards economic development until 2030 and beyond.

This is the third paper published by the Social Policy Initiative (SPI) during th second half of 2022. The first paper: A Basic Income Grant for a Better South Africa: The Evolution of Social Assistance in South Africa adds to the growing resource of research reports about the financing of a Basic Income Grant (BIG) in South Africa that have proliferated since the start the of pandemic-induced recession in 2020. It proposes the phased implementation over three years of a BIG for adults (aged 18 to 59) that will be extended to children who currently receive a child support grant (CSG) of R480 a month.

The second paper: South Africa's Unemployment Crisis: A National Disgrace. A Plan to Achieve Full Employment by 2035 provides an in-depth analysis of unemployment trends and policies since 1994. It provides proposals and scenarios to achieve full employment by the year 2035. This paper was commissioned by the South African Council of Churches (SACC). It integrates both reports, provides a review of international best practices in economic development, and makes six recommendations to take the economy onto a new development path that will create full employment by 2035.

First, there must be a mobilising vision and plan for the economy. This will require a new macroeconomic policy framework, which has an annual GDP growth target of 6% that is binding on National Treasury and the Reserve Bank with the objective of achieving full employment, an unemployment rate that is less than 5%, by 2035. The government will have to spend into the economy the 4.5% difference between the target and the 1.5% forecast.

If the stimulus blends consumption and infrastructure spending there could be a fiscal multiplier, the additional GDP that is generated by each rand of additional government spending, of 1.5. This means that the government must spend 3% of GDP - about R180 billion - to achieve the target during the first year.



THE ECONOMY WOULD CREATE MORE JOBS WITH A BIG

1.6-2.1 Million JOBS
(Basic Income Grant)

640 000 JOBS
(National Treasury baseline GDP growth forecast - 1.8%)

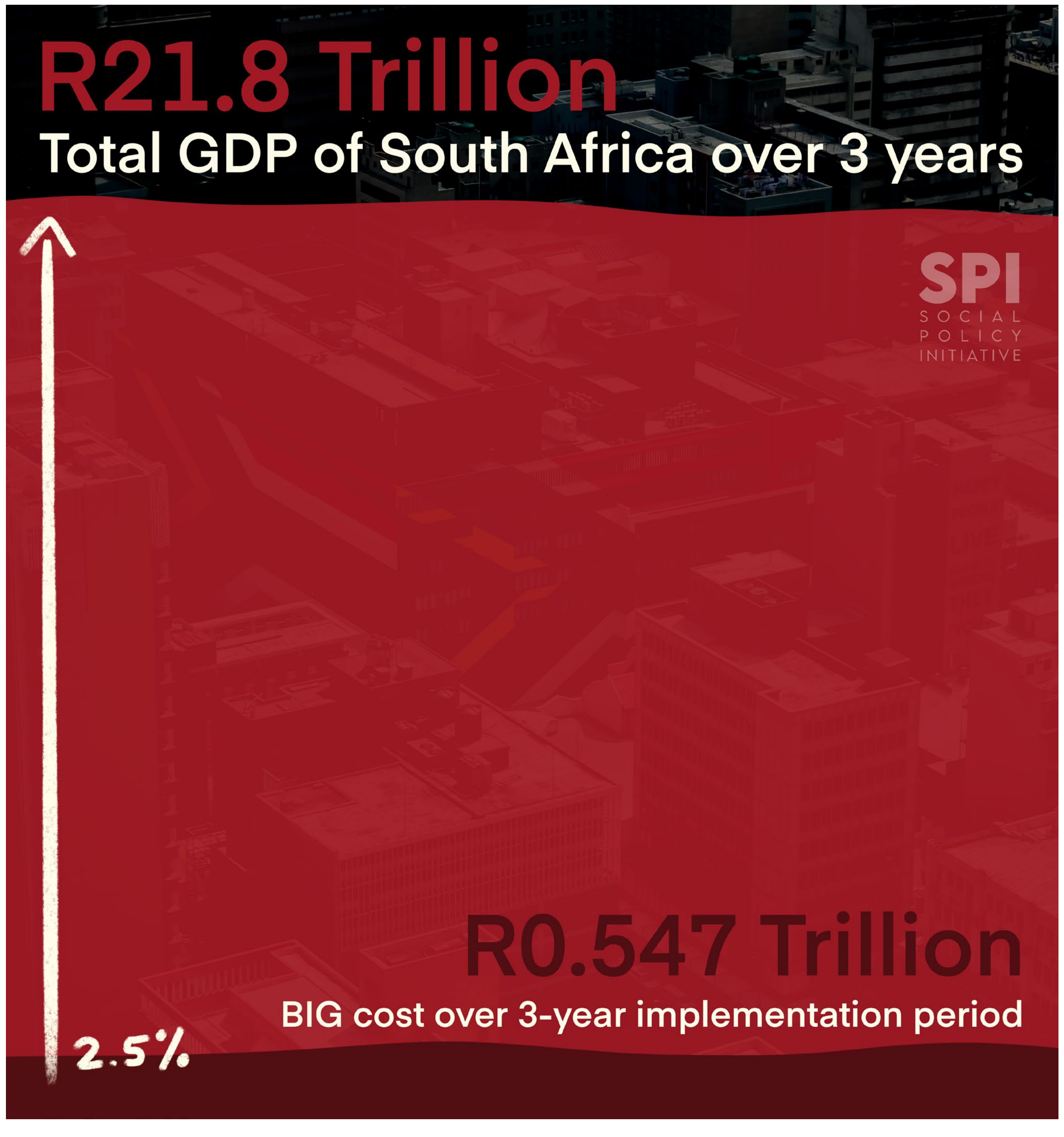
SPI
SOCIAL POLICY INITIATIVE

But achieving a higher GDP growth rate requires a short-term solution to the power crisis. The economy cannot afford another day, week, or month of power blackouts. Eskom's incompetence has created an energy shortfall. There has been an unprecedented collapse in plant performance since 2018. The energy availability factor (EAF) has declined from 78% in 2018 to 57% in April 2022. The quickest way to end power blackouts is to appoint a consortium of local and international engineers to fix the current fleet. An increase in the EAF to 75% would add about 7 000 MW to the grid. Renewable independent power producers (IPPs) will not solve the crisis in the short term.

South Africans must understand the scale of the unemployment crisis. The country will need an annual GDP growth rate of 5.6% just to absorb new entrants into the labour market. Therefore, a GDP growth rate of 6% a year – not much higher than the minimum required to stop the num-

bers from rising - will not be enough to eliminate unemployment. With 6% GDP growth, there would still be 11.3 million unemployed people in 2030 because most of the jobs would only absorb new entrants into the labour force and hardly make a dent into the 12.3 million unemployed people. This means that South Africa cannot continue to aim water pistols at the blazing infernos of unemployment, poverty, and inequality

Second, the government must provide a Basic Income Grant (BIG) to people aged 19 to 59 and extend it to children who receive a child support grant (CSG) of R480 a month. This paper's modelling escalated the 2021 national poverty lines by 5% a year over a three-year implementation period. The BIG would be R655 a month during first year in 2023-2024, R982 a month during the second year in 2024-2025, and R1 546 a month during the third year in 2025-2026.



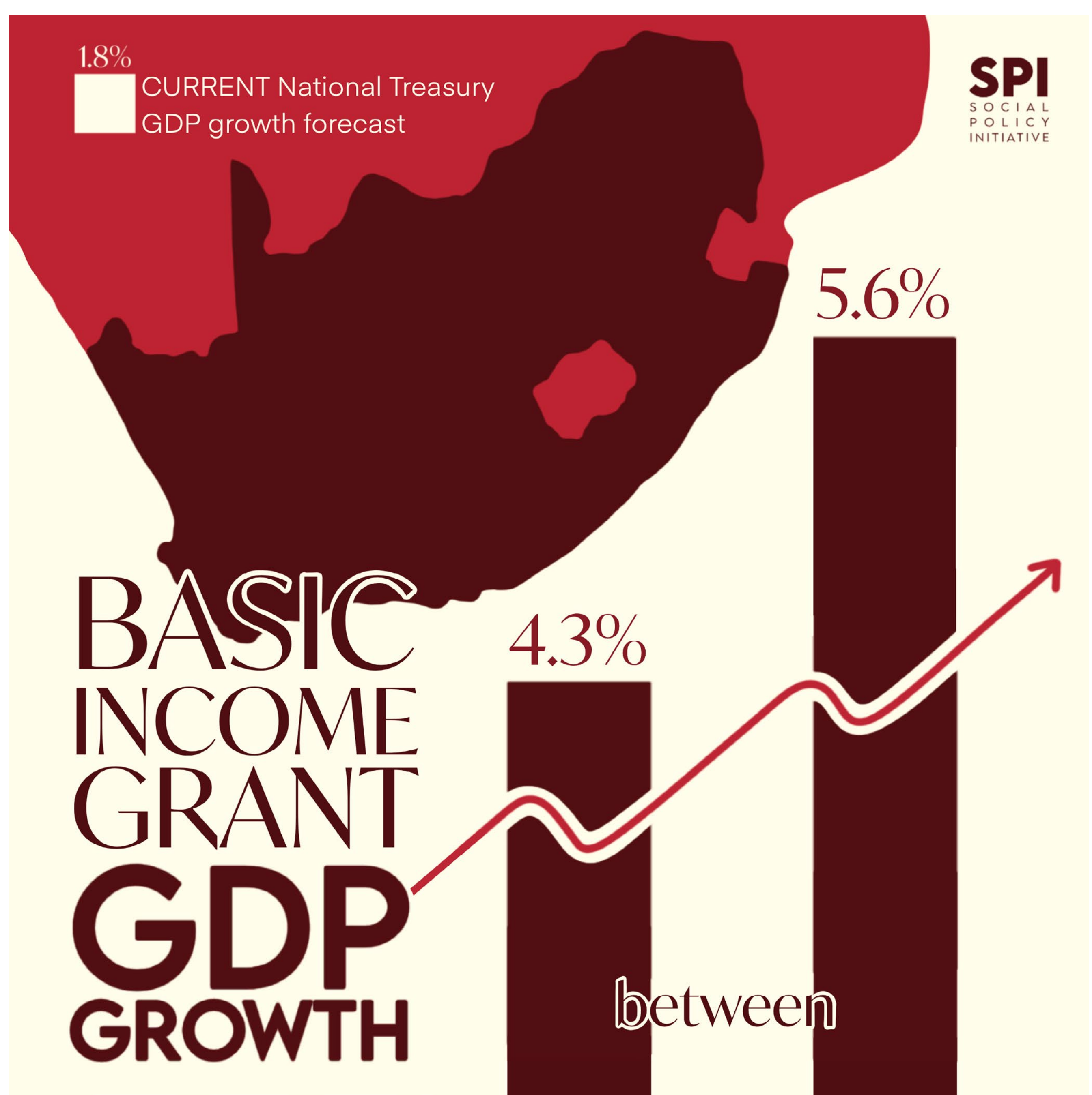
The BIG will cost R547.8 billion during the three-year implementation period. The new spending will be equivalent to 2.5% of projected GDP of R21.8 trillion during this period. It will stimulate local economies from Soweto to the Cape flats and result in a GDP growth rate of between 4.3% and 5.6% a year. It will create between 1.6 million and 2.1 million jobs. The debt ratio would increase by between 2.4 and 3.1 percentage points.

The BIG will provide a first dignity floor below which no South African should fall. The people cannot starve while they wait for government policies to achieve full employment. The BIG will also provide a first stimulus to the economy. Since infrastructure projects and industrial policies take time to implement, the BIG would be the quickest way to get close to the 6% GDP growth target. During the three-year implementation period the government must put in place additional macroeconomic policy levers to lock-in the higher GDP growth rate. The second stimulus must include higher spending on public employment programmes, infrastructure, and industrial policies.

Third, most people would still want a job after receiving a BIG. Since GDP growth alone will not be enough to address the unemployment crisis, there must a significant expansion of public employment programmes to eventually provide a job-guarantee. The government must establish a new quasi-public institution — with professional management and civil society oversight — that will amalgamate all public employment programmes, become an employer of last resort, and develop the capacity to create up to five million full-time jobs within five years at a living wage of R5 000 month, indexed to the inflation rate. A job guarantee at the living wage would provide a second dignity floor for private sector wages and lift millions of working people out of poverty as well as precarious and exploitative work. In practice, the new institution would create the residual number of jobs that cannot be created through higher GDP growth and increased spending on infrastructure projects and industrial policies.

"WE NEED AN ECONOMIC BILL OF RIGHTS. THIS WOULD GUARANTEE A JOB TO ALL PEOPLE WHO WANT TO WORK AND ARE ABLE TO WORK. IT WOULD ALSO GUARANTEE AN INCOME FOR ALL WHO ARE NOT ABLE TO WORK. SOME PEOPLE ARE TOO YOUNG, SOME ARE TOO OLD, SOME ARE PHYSICALLY DISABLED, AND YET IN ORDER TO LIVE, THEY NEED INCOME."

(MARTIN LUTHER KING JNR, 1968)



Fourth, the government must implement industrial policies that steer production to sectors that have high employment multipliers. This will require higher spending on industrial policies and more policy tools. The government must increase annual industrial financing to at least 2% of GDP within five years from 0.2%. Annual funding for black small and medium enterprises (SMEs) must increase to at least 0.5% of GDP. The government must also introduce targets (or quotas) for bank lending to labour intensive sectors and black SMEs. With 6% GDP growth and no industrial policies, the economy will create 13.5 million jobs by 2035. The unemployment rate will decline to 24.7%. But with aggressive industrial policies that increase the employment multiplier to 1.1 from 0.8 the economy will create 21 million jobs – 7.5 million more than in the first scenario. The unemployment rate will fall to 4.4%.

Fifth, the government must increase public infrastructure spending to between 10% and 15% of GDP within five years - or whatever is required to support total investment of 30% of GDP. This will require urgent measures to restore the financial health of state-owned companies.

Finally, South Africa must deliver a basket of high-quality universal public services to supplement basic income and a job guarantee. It must take profit out of health and education, and deliver affordable and subsidised green public energy, transport, and mass housing. There must be innovation in the delivery of public services and the rebuilding of state capacity. This could include the establishment of new quasi-public institutions – like the Solidarity Fund - that have civil society oversight and professional management to deliver infrastructure, a job guarantee, a national health service and universal, free and quality education.

BIG INTRODUCTION

ADULTS & CHILDREN RECEIVING CSG (R480) PM

“WHILE THE RICHEST SOUTH AFRICANS HAVE WEALTH LEVELS BROADLY COMPARABLE WITH THOSE OF AFFLUENT WESTERN EUROPEANS, THE BOTTOM 50% IN SOUTH AFRICA OWN NO WEALTH AT ALL. THE TOP 10% OWN CLOSE TO 86% OF TOTAL WEALTH AND THE SHARE OF THE BOTTOM 50% IS NEGATIVE, MEANING THAT THIS GROUP HAS MORE DEBTS THAN ASSETS. SINCE 1990, THE AVERAGE HOUSEHOLD WEALTH FOR THE BOTTOM 50% HAS REMAINED UNDER ZERO.”

(WORLD INEQUALITY REPORT, 2022)

BIG INTRODUCTION
ADULTS & CHILDREN RECEIVING CSG (R480) PM
2025-2026
UPPER
POVERTY
LINE
R1546
PER MONTH
SPI
SOCIAL
POLICY
INITIATIVE

EXECUTIVE SUMMARY

Whichever way one slices the data, South Africa's economy has performed dismally since its miracle transition to democracy in 1994. Between 1994 and 2021, the country's Gross Domestic Product (GDP) per capita increased by only 20.5%. After 28 years of democracy, South Africa is an unviable society with record levels of unemployment poverty and inequality. During the first quarter of 2022, the country had unemployment rates of: 75.1% for youth, 50.1% for Black Africans, 53.7% for Black African females, 52.6 % in the Eastern Cape, 51.6% in Mpumalanga and 50.9% in Limpopo. The unemployment rate for people of all races was 45.5%. South Africa's unemployment crisis is a national disgrace, the most heart-breaking betrayal of the dreams and promises of our liberation. The government has failed the people who fought and struggled for so long for a better life for all.

The Indlulamithi scenarios have forecast GDP growth of 1.8% a year between 2020 and 2030 based on current policies . On this trajectory, we estimate that there will be 17 million unemployed people by 2030. The unemployment rate will increase to 50.9%. South Africa is facing a dystopian future until 2030. Repeat episodes of political and social unrest and instability could turn the country into an economic wasteland. After 28 years of failed economic policies, the time has come to change course and chart a new path

towards economic development until 2030 and beyond. Therefore, the Basic Income Grant (BIG) is a macroeconomic policy issue, the first step on a proposed new path to transform the whole economy. It is primarily about economic recovery not social policy, though the BIG will have a positive impact on indicators such as hunger, poverty, and inequality. The BIG must be implemented within the context of a new macroeconomic policy framework, which has a 6% GDP growth target that is binding on National Treasury and the Reserve Bank.

This paper adds to the growing resource of research reports about the financing of a BIG in South Africa that have proliferated since the start the of pandemic-induced recession in 2020. Most of these reports propose various taxes to finance the implementation of a BIG. But new taxes, depending on which ones are selected, can withdraw money from the economy and reduce the size of a stimulus and the efficacy of fiscal policy. This paper instead provides a critical addition to existing scholarship by investigating the feasibility of implementing an unfunded BIG. This would provide the maximum possible fiscal stimulus to an economy that is reeling from the effects of a "lost decade" in terms of economic development between 2009 and 2019 during which GDP per capita did not grow and a once-in-a-century recession that decimated the livelihoods of millions of people.

This paper considered two options from eight scenarios. The first option of providing a BIG for adults aged 18 to 59 would cost an additional R374.8 billion over the three-year phased implementation period, assuming a 70% uptake – since many people would elect not to receive the grant - and a clawback from taxpayers. After escalating the 2021 poverty lines by 5% a year, the BIG would be at the food poverty line of R655 a month during the first year in 2023-2024, the lower poverty line of R982 during the second year in 2024-2025 and the upper poverty line of R1 546

during the final year in 2025-2026. This would provide a stimulus of between 1.7% and 2.6% of GDP a year over the three-year implementation period, assuming fiscal multipliers of one and 1.5 respectively. There would be a GDP growth rate of between 3.5% and 4.5% a year. The economy would create between 1.3 million and 1.6 million jobs - much higher than the 640 000 jobs that would be created under National Treasury's baseline forecast of 1.8% GDP growth a year during the implementation period.

The second preferred option - to also extend the BIG to children who currently receive a Child Support Grant (CSG) of R480 a month – would cost an additional R547.8 billion over three years. Under this option, the CSG would increase to the food poverty line of R655

a month during the first year in 2023-2024, the lower poverty line of R982 during the second year in 2024-2025 and the upper poverty line of R1 546 during the final year in 2025-2026. This preffered option would provide a first stimulus of between 2.5% and 3.8% of GDP a year over three years, assuming fiscal multipliers of one and 1.5 respectively. There would be a GDP growth rate of between 4.3% and 5.6% a year. The economy would create between 1.6 million and 2.1 million jobs - much higher than the 640 000 jobs that would be created under National Treasury's baseline forecast of 1.8% GDP growth a year during the implementation period.

This preferred option would eliminate income poverty in three years, radically change the lives of millions of people and become by far South Africa's most transformative policy since 1994. It would achieve Martin Luther King's dream of abolishing poverty directly. The BIG would provide a dignity floor below which no South African should fall. During the implementation period, the government must also put in place measures to lock-in the higher GDP growth rate until 2030 and beyond through a second stimulus package that will significantly increase spending on public employment programmes, infrastructure and industrial policies that will increase the employment intensity of GDP growth. In a separate paper, we show that such policies could achieve full employment by 2035.

The government must establish a new quasi-public institution — with professional management and civil society oversight — that will amalgamate all the government's public employment programmes, become an employer of last resort and develop the capacity to create up to five million full-time jobs within five years at a living wage of R5 000 month, indexed to the inflation rate. In practice, the new institution would create the residual number of jobs that cannot be created through higher GDP growth and industrial policies. If the policies to grow the economy and increase the employment intensity of GDP growth do not succeed, the new institution will have to create more jobs.

Most people would still want a job after receiving basic income. A job guarantee at the living wage would provide a second dignity floor for private sector wages and lift millions of working people out of poverty as well as precarious and exploitative work. The first and second stimulus packages would provide a near-perfect solution out of 28-years of policy dithering around the crises of unemployment, poverty and inequality. This solution would meet people's basic needs, provide economic stimulus and lay the foundation for addressing unemployment through reimagining the world of work as we recraft our economy to take us from dystopia to a credible and more inclusive future.

“I AM NOW CONVINCED THAT THE SIMPLEST APPROACH WILL PROVE TO BE THE MOST EFFECTIVE – THE SOLUTION TO POVERTY IS TO ABOLISH IT DIRECTLY BY A NOW WIDELY DISCUSSED MEASURE: THE GUARANTEED INCOME.”

MARTIN LUTHER KING JNR, 1968

INTRODUCTION

Whichever way one slices the data, South Africa's economy has performed dismally since its miracle transition to democracy in 1994. Between 1994 and 2021, the country's Gross Domestic Product (GDP) per capita increased by only 20.5% (SARB 2022). After 28 years of democracy, South Africa is now an unviable society with high rates of unemployment, poverty and inequality with Black African women bearing the brunt of the government's failed economic policies. During the second quarter of 2022, there were 12.3 million unemployed people. The country had unemployment rates of: 71.9% for youth, 48.3% for Black Africans, 51.3% for Black African females, 51.8 % in the Eastern Cape, 49.4% in Kwazulu-Natal and 49.2% in the North West. The unemployment rate for people of all races was 44.1.%.

The absorption rate, which measures the percentage of the working-age population (15 to 64) that is employed, was 38.7%. For Black African people the absorption rate was 36%, compared with a figure of 59.7% for white people. For women it was 34.2%. In the Eastern Cape only 30.2% of the working-age population was employed (Stats SA, 2022a). The average absorption rate for upper income countries was 59.7% in 2021 (ILO, 2022). South Africa's unemployment crisis is a national disgrace, the most heart-breaking betrayal of the dreams and promises of our liberation. The government has failed the people who fought and struggled for so long for a better life for all.

About half of South Africa's population lives in poverty and more than one in five people have inadequate access to food. According to the DSD (2021) there were 29.1 million people – 48.9% of the population in 2020 – who were living in households that had a per capita monthly disposable income that was below Statistics South Africa's upper bound poverty line of R1 300 a month. There were 20 million people – 33.5% of the population - who were living in households that had a per capita monthly disposable income that was below the lower bound poverty line of R860 a month. There were 12.9 million people – 21.6% of the population who were living in households that had a per capita monthly disposable income that was below the food poverty line of R595 a month.

Stats SA (2021) found that 20.6% of households nationally considered their access to food as inadequate or severely inadequate. Food access problems were most common in the North West (35.7%), Mpumalanga (32.8%), Free State (26.2%) and Northern Cape (25.8%). The National Income Dynamics Study (NIDS) Coronavirus Rapid Mobile Survey (CRAM) said ten million people and three million children were in households affected by hunger in the last seven days

during April and May 2021. About 1.8 million people and 400 000 children lived in households that were affected by perpetual hunger, which was defined as hunger every day or almost every day. Women were more likely to shield their shield their children from hunger than men. But child hunger was at 14% with one in seven respondents indicating a child in their household had gone hungry (NIDS-CRAM, 2021).

The World Bank (2022) said South Africa was the most unequal country in the world, ranking first among 164 countries within the Bank's global poverty database with a consumption per capita Gini coefficient of 67 in 2018. The Gini coefficient is a measure of inequality in incomes or consumption. It ranges between 0 and 1 (or 100 percent) where 0 means perfect equality and 1 (or 100 percent) perfect inequality. The Bank said race and inequality contributed significantly to wage inequality with the Southern African Customs Union (SACU), which comprises Botswana, Eswatini, Lesotho, Namibia and South Africa. The earnings gap for females was 38% in South Africa.

When race was considered, its contribution to income inequality was 41%, while the contribution of education was 30%."Race therefore remains a key driver South Africa's inequality through its impact on both education and labour market outcomes." Orthofer (2022) found that the wealthiest 10% of the population received 55% - 60% of all income. The next 40% of the population – the middle class – earned 30% - 35% of all income. The poorest 50% of the population earned about 10% of all income. Chancel et al. (2022;217-218) said the top 10% of South Africans earned 66.5% of income and the top 1% earned 21.9% of income. "While democratic rights were extended to the totality of the population after the end of apartheid in 1991, extreme inequalities have persisted and been exacerbated. Post-apartheid governments have not implemented structural economic reforms (including land, tax and social security reforms) sufficient to challenge the dual economy system."

Stats SA (2019) said: "While racial and spatial divides are of the utmost importance given the country's history of racial and spatial segregation, it is important to also consider the impact of gender inequality as this overlaps with and amplifies many other disadvantages. In 2015, the average annual income was R38 180 for individuals living in male-headed households while the figure was R18 406 for those living in female-headed households. In other words, the average annual income for male-headed households was more than double that of female-headed households. Also, individuals living in male-headed households accounted for 74% of total expenditure in 2015. Individuals living in female-headed households had an expenditure share of 26%. Gender inequality in the labour market remains one of the key institutions through which SA's exceptionally high levels of inequality gets transmitted.

"Despite significant progress that has been made in reducing gender gaps in education, there are still significant gender gaps in labour market outcomes. On average, females earned less than males across all educational levels. Females with no education earned 54.4% of the income earned by their male counterparts. Females with high school or tertiary educations earned 68.2% and 63.1%, respectively of their male counterparts average income. Similar to the no education category, males with primary education earned almost double that of females with similar educational attainment. Those with tertiary qualification were earning almost 1.6 times more than their female counterparts."

Orthofer (2016) said wealth was much more concentrated in the hands of the few compared with incomes. The wealthiest 10% of the population owned at least 90% - 95% of all wealth. The next 40% - the middle class – owned 5% - 10% of all wealth. The poorest 50% owned no measurable wealth. The finding was that while there may be a growing middle class

“EVERYONE HAS THE RIGHT TO... SOCIAL SECURITY, INCLUDING, IF THEY ARE UNABLE TO SUPPORT THEMSELVES AND THEIR DEPENDENTS, APPROPRIATE SOCIAL ASSISTANCE. THE STATE MUST TAKE REASONABLE LEGISLATIVE AND OTHER MEASURES, WITHIN ITS AVAILABLE RESOURCES, TO ACHIEVE THE PROGRESSIVE REALISATION OF EACH OF THESE RIGHTS.” (SECTION 27 (1) (C) AND 27 (2) OF THE SOUTH AFRICAN CONSTITUTION)

with regard to income, there is no middle class with regard to wealth. "What stands out, however, is the small wealth share of the middle of the distribution or the virtual absence of a socioeconomic group that Piketty refers to as 'patrimonial' or 'propertied' middle class - the emergence of which was the principal structural transformation of the distribution of wealth in developed countries during the twentieth century. The middle 40% of the wealth distribution is almost as asset poor as the bottom 50%."

Chancel et al. (2022;217-218) said the top 10% owned 85.7% of wealth and the top 1% owned 55% of wealth. “While the richest South Africans have wealth levels broadly comparable with those of affluent Western Europeans, the bottom 50% in South Africa own no wealth at all. The top 10% own close to 86% of total wealth and the share of the bottom 50% is negative, meaning that this group has more debts than assets. Since 1990, the average household wealth for the bottom 50% has remained under zero.” The World Bank (2022) says the wealth gap is closely related to ownership of assets. Financial assets represent 75% of the total assets of wealthy households in South Africa. The top 10% of the population holds a staggering 80.6% of all financial assets.

Orthofer (2016) proposed a shift from employment-related to capital-related taxes. The bulk of tax revenues (35%) was collected from employment income, while taxes on capital and investment income played a much smaller role (1%). The IEJ (2021) said a 3% wealth tax on the top 1% - 354 000 people who have total wealth of R6.3 trillion or an average of R17.8 million per person – would raise R189 billion. A 3% tax on the top 0.1% - 35 400 people who have total wealth of R3.4 trillion or an average of R97 million per person would raise R103 billion.

There is also a need to revive the implementation of the ownership element of Broad-Based Black Economic Empowerment (B-BBEE), which has regressed over the past decade and accelerate land reform and restitution. The budget for land reform has been inadequate and agricultural economists say the government has paid significantly more than the market value for much of the land it has purchased. The CEDT (2017) made proposals for the restructuring of ownership in the mining sector. They included the establishment of a sovereign wealth fund, increased levels of state ownership and a “free carry" of shares for communities and workers to compliment legislated targets for black ownership. The objective was to achieve domestic ownership and control of the sector.

South Africa had a "lost decade" during which GDP per capita did not grow between 2009 and 2019. On the current trajectory, the country is on a dangerous economic development path. It is heading towards a second "lost decade" and a dystopian future with rising levels of unemployment, poverty and inequality that will result in repeated cycles of political and social instability. The government does not believe that its own economic policies and recovery plans will result in higher rates of economic growth and job creation. National Treasury (2022) has forecast GDP growth of 1.8% a year between 2022 and 2024. The World Bank (2021) and the International Monetary Fund (2022) have forecast GDP growth of 1.5% a year between 2022 and 2026. The Indlulamithi scenarios have forecast GDP growth of 1.8% a year between 2020 and 2030 based on current policies (ADRS, 2021) .

Unemployment is a macroeconomic policy issue that cannot be addressed through projects. Macroeconomic policies influence the performance of the whole economy. Industrial policies seek to change the structure of production according to the broad division of sectors – agriculture, industry, and services – and within these sectors. It can also refer to measures to reduce the carbon intensity of production. There is a relationship between economic growth and employment. An employment multiplier measures the percentage increase in employment that is associated with a one percentage point increase in GDP. On this path of 1.8% GDP growth, assuming an employment multiplier of 0.8 and an annual average 2.4% growth of the labour force – slightly lower than the pre-Covid average from December 2013 to December 2019 – there will be 17 million unemployed people by 2030.

The unemployment rate will be 50.9%. The time has come to change course and chart a new path towards economic development until 2030 and beyond. But South Africans must understand the scale of the unemployment crisis. South Africa will need an annual GDP growth rate of 5.6% just to absorb new entrants into the labour market each year. Therefore, a GDP growth rate of 6% a year – not much higher than the minimum required to stop the numbers from rising - will not be enough to eliminate unemployment. With 6% GDP growth, there would still be 11.3 million unemployed people in 2030 because most of the jobs would only absorb new entrants into the labour force and hardly make a dent into the 12.3 million unemployed people. This means that South Africa cannot continue to aim water pistols at the blazing infernos of unemployment, poverty, and inequality.

This is the third paper published by the Social Policy Initiative (SPI) during the second half of 2022. The first paper: A Basic Income Grant for a Better South Africa: The Evolution of Social Assistance in South Africa adds to the growing resource of research reports about the financing of a Basic Income Grant (BIG) in South Africa that have proliferated since the start the of pandemic-induced recession in 2020. It proposes the phased implementation over three years of a BIG for adults (aged 18 to 59) that will be extended to children who currently receive a child support grant (CSG) of R480 a month.

The second paper: South Africa's Unemployment Crisis: A National Disgrace. A Plan to Achieve Full Employment by 2035 provides an in-depth analysis of unemployment trends and policies since 1994. It provides proposals and scenarios to achieve full employment by the year 2035. This paper was commissioned by the South African Council of Churches (SACC). It integrates both reports, provides a review of international best practices in economic development, and makes six recommendations to take the economy onto a new development path that will create full employment by 2035. For further details about the BIG or employment strategies, readers can read the first two reports.

First, there must be a mobilising vision and plan for the economy. This will require a new macroeconomic policy framework, which has an annual GDP growth target of 6% that is binding on National Treasury and the Reserve Bank with the objective of achieving full employment, an unemployment rate that is less than 5%, by 2035. The government will have to spend into the economy the 4.5% difference between the target and the 1.5% forecast. If one blends consumption and infrastructure spending into the stimulus there could be a fiscal multiplier, the additional GDP that is generated by each rand of additional government spending, of 1.5. This means that the government must spend 3% of GDP to achieve the target during the first year

But achieving a higher GDP growth rate requires a short-term solution to the power crisis. The economy cannot afford another day, week, or month of power blackouts. Eskom's incompetence has created an energy shortfall. There has been an unprecedented collapse in plant performance since 2018. The energy availability factor (EAF) has declined from 78% in 2018 to 57% in April 2022. The quickest way to end power blackouts is to appoint a consortium of local and international engineers to fix the current fleet. An increase in the EAF to 75% would add about 7 000 MW to the grid. Renewable independent power producers (IPPs) will not solve the crisis in the short term.

Second, the government must provide a Basic Income Grant (BIG) to people aged 19 to 59 and extend it to children who receive a child support grant (CSG) of R480 a month. This paper's modelling escalated the 2021 national poverty lines by 5% a year over a three-year implementation period. The BIG would be R655 a month during first year in 2023-2024, R982 a month during the second year in 2024-2025, and R1 546 a month during the third year in 2025-2026. The BIG will provide a first dignity floor below which no South African should fall. The people cannot starve while they wait for government policies to achieve full employment. The BIG will also provide a first stimulus to the economy.

Since infrastructure projects and industrial policies take time to implement, the BIG would be the quickest way to get close to the 6% GDP growth target. During the implementation period the government must put in place additional macroeconomic policy levers to lock-in the higher GDP growth rate. The second stimulus must include higher spending on public employment programmes, infrastructure, and industrial policies. Third, most people would still want a job after receiving a BIG. Since GDP growth alone will not be enough to address the unemployment crisis, there must a significant expansion of public employment programmes to eventually provide a job-guarantee.

The government must establish a new quasi-public institution — with professional management and civil society oversight — that will amalgamate all public employment programmes, become an employer of last resort, and develop the capacity to create up to five million full-time jobs within five years at a living wage of R5 000 month, indexed to the inflation rate. A job guarantee at the living wage would provide a second dignity floor for private sector wages and lift millions of working people out of poverty as well as precarious and exploitative work. In practice, the new institution would create the residual number of jobs that cannot be created through higher GDP growth and increased spending on infrastructure projects and industrial policies.

Fourth, the government must implement industrial policies that increase the employment multiplier – by steering production to sectors that have high multipliers. This will require significantly higher spending and more policy tools. Fifth, the government must increase infrastructure spending to between 10% and 15% of GDP - or whatever is required to support total investment of 30% of GDP. Finally, South Africa must deliver a basket of high-quality universal public services to supplement basic income and a job guarantee. It must take profit out of health and education, and deliver affordable and subsidised green public energy, transport, and mass housing. There must be innovation in the delivery of public services and the rebuilding of state capacity. This could include the establishment of new quasi-public institutions – like the Solidarity Fund - that have civil society oversight and professional management to deliver infrastructure, a job guarantee, and a national health service.

2. MACROECONOMIC POLICIES AFTER 1994

The South African economy's performance since 1994 has followed a trend identified by Coe and Pettifor (2016) who conducted an analysis of the United States and United Kingdom economies over a century. They found that public debt had declined in both countries in periods associated with expansionary fiscal policies. It had gone up when spending was cut and matters were left to the market. The experience of the United Kingdom was telling.

The country's debt ratio peaked at 250% of GDP at the end of the second world war in 1946. "The following year under a labour government programme that included the introduction of the welfare state and the National Health Service, national debt began to fall. Over the era commonly associated with pro-public sector and anti-private sector policies, when contemporary belief would lead us to conclude that the public debt must have steadily risen, it actually fell just over 200 percentage points to 50%, roughly 7 percentage points a year" (Coe and Pettifor, 2016:10).

There have been four phases in terms of South Africa's macroeconomic policies and performance since 1994. GDP growth was low and unemployment soared when there were contractionary macroeconomic (fiscal and monetary) policies. GDP growth increased and unemployment declined when macroeconomic policies were expansionary. Although it is difficult to isolate the effect of fiscal policies alone, the economy performed poorly during the two phases when government consumption and investment spending was weak and grew rapidly during the one phase when it started spending again.

During the first phase, from 1996 to 2003, the government implemented the Growth, Employment and Redistribution Programme (Gear) programme, a neoliberal macroeconomic stabilisation plan although there was no inherited apartheid debt crisis. In 1996, the debt to GDP ratio was 49.5%. The foreign debt ratio was 1.9% (National Treasury, 2022a). The idea that there was an apartheid debt crisis is propaganda and fiction. Under Gear, government final consumption spending increased by 2.6% a year. There was also a first post-apartheid public sector investment strike.

Public Investment (by general government and public corporations) declined by 24.9% between 1998 and 2001. It returned to 1998 levels in 2004. Between 1997 and 2001, investment by general government declined by 15.2%. It returned to 1997 levels in 2003. Between 1998 and 2001, investment by public corporations alone collapsed by 41.9%. It returned to 1998 levels in

2006. There were punitive, usurious annual nominal and real interest rates of 17.3% and 8.5% respectively during the Gear period. Nominal and real interest rate peaked at annual averages of 21.8% and 13% in 1998. GDP grew by 2.33% a year. GDP per capita grew by 0.69% during this period (SARB, 2022).

During the second phase, from 2004 to 2008, the economy grew rapidly after the end of Gear as the government implemented expansionary economic policies. Government final consumption spending increased by 4.8% a year between 2004 and 2008. Public investment (by general government and public corporations) increased by 14.2% a year between 2003 and 2008. Gross Fixed Capital Formation (GFCF), a measure of investment, increased from 14% of GDP in 2002 to 21.6% in 2008. Nominal and real interest rates declined to annual averages of 12.2% and 4.8% respectively during this period. GDP grew by 4.82% a year. GDP per capita grew by 3.72% a year (SARB, 2022).

During the third phase, from 2009 to 2019, South Africa had a "lost decade" during which GDP per capita did not grow. Government final consumption grew by 1.8% a year during this period. In 2009, GDP declined by 1.5% in the wake of the Global Financial Crisis. There were two stages during this phase. The economy performed better during the first stage, between 2010 and 2013, due to mildly expansionary (and countercyclical) macroeconomic policies. Final government consumption spending increased by 3% a year. Public investment increased by 3.9% a year. Interest rates declined by 700 basis points between December 2008 and July 2012. GDP increased by 2.8% a year. GDP per capita increased by 1.2% a year (SARB, 2022). There were budget revenue surpluses – in-year revenues compared with budget forecasts – of R28.9bn during this period (National Treasury, 2020).

During the second stage, from 2014 to 2019, there was a collapse in the trend GDP growth rate due to contractionary macroeconomic policies. The growth of government final consumption spending declined to 1.1% a year, which was lower than the growth of the population. There was a second post-apartheid public sector investment strike. Between 2016 and 2021, investment by general government declined by 27.3%. Between 2013 and 2021, investment by public corporations collapsed by 53%. Interest rates increased by 200 basis points between 2014 and 2016. Therefore, declining per capita final government consumption spending, a public sector investment strike and higher interest rates reduced the trend GDP growth rate to 1% a year between 2014 and 2019. GDP per capita declined by 0.47% a year (SARB, 2022). The lower GDP growth rate resulted in budget revenue shortfalls of R250 billion between 2014-2015 and 2019-2020 (National Treasury, 2020b). Since the start of the lockdown on 27 March 2020, the economy has entered a fourth phase of the post-apartheid period.

3. THE SECOND LOST DECADE

In response to lockdowns and the resulting pandemic-induced global recession, most countries decided to spend their way out of the crisis. Global stimulus packages were worth $16 trillion by 17 March 2021, equivalent to about 17.1% of world GDP, according to the International Monetary Fund (IMF). The state contribution to these packages – additional spending and foregone revenue - was $10 trillion or 10.6% of world GDP (IMF, 2021). Central Banks in the United States ($4 trillion), Eurozone ($4.2 trillion), Japan ($1.3 trillion) and England ($0.6 trillion) printed $10.1 trillion between the end of December 2019 and June 2021 to support their economies. (Yardeni and Quintana, 2022). Central balance sheets are now worth: 130% of GDP in Japan, 60% in the eurozone and 40% in the US and the UK (Pettifor, 2021).

South Africa's response to the crisis was inadequate. In April 2020, President Cyril Ramaphosa announced a R500 billion stimulus package that was allegedly worth 10% of GDP (The Presidency, 2020a). But National Treasury cancelled the stimulus. If one looks through the smoke and mirrors of the package, the real stimulus – new money that was injected into the economy - was only R104.1 billion. This was equivalent to 1.6% of GDP in 2020-2021. It was only 20.8% of the headline number that the president that the president announced. There were two-components of the real stimulus. There were above-the-line (on-budget) measures – higher government spending and foregone tax revenues - of R27 billion, equivalent to 0.5% of GDP compared with the world average of 10.6%. There was a R19.7 billion increase in non-interest spending during 2020-2021 compared with what had been budgeted for in the 2020 budget (National Treasury, 2022: 32; National Treasury 2020: 25).

Direct tax relief – as opposed to deferrals, which are not foregone tax revenues - was R7.3 billion. "For the direct tax relief measures, the exemption from the skills development levy provided relief of about R5.9 billion, in line with estimates. Companies could choose to benefit from either the Temporary Employer/Employee Relief (TERS) Scheme or the expanded employment tax incentive, and claimed R57.3 billion from the TERS against only R1.4 billion from the employment tax incentive" (National Treasury 2021: 42). There were below-the-line (off-budget) measures of R77.1 billion, equivalent to 1.3% of GDP. They comprised: R18,4 billion that banks advanced to clients as part of the government's R200 billion loan guarantee scheme (BASA, 2021); and R58.7 billion that the Unemployment Insurance Fund paid to people who were unemployed because of the lockdown under the TERS (UIF, 2021).

In October 2020, the government announced an Economic Recovery and Reconstruction Plan (ERRP) (The Presidency, 2020b). The plan has two interrelated pillars. First, the government has established an infrastructure fund. In September

2018, Ramaphosa said the fund would mobilise R400 billion. But National Treasury has effectively also cancelled the fund. In the February 2019 budget, National Treasury (2019) said the fund would mobilise R100 billion over the next decade, a miniscule amount considering the country's infrastructure backlogs and the unmet needs of millions of South Africans. Every year since 2019, National Treasury has made an allocation to the fund, which was subsequently cancelled. (National Treasury 2019; National Treasury, 2020, National Treasury, 2021, National Treasury, 2022). The fund has no money, almost four years after the President's announcement.

Second, the government has launched Operation Vulindlela, a joint initiative between the Presidency and National Treasury to implement structural reforms, which were first outlined in an economic strategy in October 2019. Structural reform is code for privatisation, deregulation, liberalisation and the withdrawal of the state of from network industries - electricity, transport, telecommunications and water. It refers to measures to improve the supply (or production) side of the economy by removing institutional and regulatory impediments to the functioning of free markets. But Rodrik (2016:28) says gains from such neoliberal reforms since the 1980s have been elusive. "That experience suggest that structural reform yields growth only over the long term, at best. More often than not the short-term effects are negative." National Treasury (2019) said the benefits from the structural reforms in its own economic strategy would be marginal – 142 000 jobs over the first three years and one million jobs by 2030.

The government's recovery plan has pinned its hopes on structural reforms to unleash an improbable new wave of private sector investment. South Africa had an investment ratio of about 13% of GDP in 2021, the lowest since we started collecting national statistics in 1946 (SARB, 2022). It is lower than it was after Sharpeville in 1960, the June 1976 riots, the apartheid debt crisis in 1985, and international sanctions. The annual shortfall to achieve the 30% target in the National Development Plan (NDP) is more than R1 trillion. The 2022 budget allocated R812.5 billion towards infrastructure during the MTEF period until 2024-2025. This was equivalent to an annual average of 4% of GDP during the period. The annual shortfall to achieve the NDP's target for public investment of 10% of GDP is R400 billion.

However, the structural reforms in energy, transport and telecommunications are not game-changers for the economy and will not add much to investment. The flagship energy reforms – the elimination of the licensing threshold for embedded generation projects and the fifth bid window of the Renewable Energy Independent Power Producer Procurement Programme (REI4P) – that were supposed to attract investment of R75 billion a year have not taken off. The energy regulator has only registered projects that have a capacity of 700MW. The fifth bid window of the REI4P has almost collapsed. Bidders submitted low prices that were far below what was required for them to break-even. There have also been dramatic changes in the global economy, including rising inflation and interest rates and a depreciating rand on the back of a strong dollar. The bids are deeply under the water

Private sector investment responds with a lag (a delay) to rising GDP growth as happened during the 2004 – 2008 mini-boom, when the government started spending again after the end of Gear. It follows GDP growth and does not kickstart the economy. There cannot be a private sector investment boom within the context of austerity policies that will reduce GDP growth and no plan to reverse a public sector investment strike, which has been the main reason for the collapse of total investment. Kelton (2013) says: "Capitalism runs on sales. In survey after survey, we find that the number one reason businesses are slow to hire and invest in new plant and equipment is a lack of demand for the things they produce. Businesses hire and invest when they're swamped with customers."

During the 2022 budget, National Treasury announced a R469.9 billion main budget revenue overrun for three-year the 2021 medium term expenditure framework (MTEF) period to 2023-2024 compared with what was budgeted for in 2021. This was owing to high commodity prices. The windfall for the 2021-2022 fiscal year was R197.4 billion. Non-interest expenditure during the year was R63.1 billion higher than in the 2021 budget. The difference of R134.3 billion was used to repay debt. This means that only a third of the revenue overrun was invested in the economy (National Treasury, 2022). During the three-year MTEF period until 2024/2025, National Treasury has prioritised austerity and debt reduction. After inflation, there will be a real decline in non-interest spending of 6.6% throughout the period. There will be real declines in spending on health, basic education and social protection of 11.8%, 7.1% and 12.9% respectively. The social wage, which includes these three spending items, will decline by 8.1%, according to Forslund (2022). The objective is to have a primary surplus – the difference between revenues and non-interest spending - at the end of 2023-2024. The debt ratio will then stabilise at 75.1% of GDP in 2024-2025 (National Treasury,2002)

The Indlulamithi initiative (ADRS, 2021) has presented three scenarios for the economy until 2030. Under the "Isbhujwa" trickle down outlook, the government will continue with the 1996 policy framework. This scenario will produce average GDP growth of 2.2% a year until 2030. With the "Gwara-Gwara" immiserating outlook the government will also implement austerity policies, as the recent budget has done. This "second lost decade" scenario will produce average GDP growth of 1.8% a year until 2030, which is barely higher than the country's population growth rate.

The "Nayi-le-Walk" pro-poor outlook requires a shift from the status quo. Under this scenario, the government will implement a six pillar policy framework, which includes bold macroeconomic and social policy reforms. The Reserve Bank will change its mandate to target inflation and a 6% GDP growth rate. The government will introduce a new grant of R1000 a month and make the public works programme an employer of last resort. Under this scenario, there will be GDP growth of 6.2% a year until 2030. The economy will create between 8.7 million and 10 million jobs and the official unemployment rate will decline to 12%. The poverty rate will decline by 50% to 23%.

4. STRUCTURAL AND RACIAL TRANSFORMATION

South Africa has also failed to achieve structural or racial transformation of the economy. Zalk (2014) says there was no industrial policy until 2007 as the government pursued orthodox economic reforms. The result was capital flight, de-industrialisation and financialisation. In 1994, the manufacturing sector was larger than finance. It was the largest sector of the economy. Since then, manufacturing's share of gross value added declined to 13.1% in 2021 from 22.8% in 1994. The share of finance, insurance, real estate and business services increased to 23.7% from 18.2% over the same period. Finance is now the largest sector of the economy (SARB, 2022). In 2007, the Department of Trade, Industry and Competition (DTIC) released a National Industrial Policy Framework document.

From 2010, the DTIC published annual Industrial Policy Action Plans (IPAPs). Recently, the government has completed masterplans in seven manufacturing sectors – automotive, poultry, steel, sugar, furniture, forestry, and retail, clothing, textiles, footwear, and leather. However, industrial policy is about developing a vision for the future structure of the whole economy – not just a few sectors in manufacturing, which accounts for a small share of GDP. The seven sectors that have masterplans employ about 900 000 people - 6.2% of total employment - using generous estimates that include indirect jobs. Due to the scale of the of the crisis, the masterplans will not shift the dial even if they achieve their unrealistic job creation targets. Industrial policies have received limited budget support. Latest figures show that DTIC industrial financing and Industrial Development Corporation (IDC) lending was about R12 billion or 0.2% of GDP (National Treasury 2022c; IDC, 2021).

Compared with the East Asian tigers, South African industrial policies have also used too few policy tools. Asian countries used a wider range of policy tools, including central bank lending, state influence over finance, deliberately weakening currencies to support exports, capital controls, reserve requirements for banks to influence the supply of capital, prescribed asset requirements to direct capital to identified sectors, differential exchange and interest rates and administrative controls such as quotas. They had pilot agencies to direct the whole economy, not just the manufacturing sector. Therefore, in South Africa, there has been no alignment between macroeconomic and industrial policies.

The country also failed to achieve significant racial transformation of the apartheid economy. Gqubule (2021) found that black people, who accounted for 92.2% of the population in 2021, owned 1.7% of the shares of the top 50 companies on the Johannesburg

Stock Exchange (JSE) at the end of December 2020. If one excluded the value of foreign assets of JSE-listed companies, which were worth an astonishing 75% of the market capitalisation of the top 50 companies, gross black ownership of R245 billion was equivalent to 6.9% of South African assets. The National Agricultural Marketing Council (2019) found that black people accounted for only 9% of production in the agricultural sector.

More alarming has been the failure within the public and private sectors to provide sufficient funding for black-owned small and medium enterprises (SMEs), which should be front and centre of any strategy to transform the economy. The Small Enterprise Finance Agency disbursed R1.6bn during 2020/2021 (SEFA, 2021). The National Empowerment Fund disbursed R425 million (NEF, 2021). A Banking Association South Africa report found that the exposure of banks to black SMEs was R21.4 billion in 2019. This was equivalent to 0.4% of industry assets of R5.9 trillion during the same year (BASA 2021).

The new democratic government inherited an economy that had developed, since the late 19th century discovery of minerals, around a minerals energy complex (MEC), which has been described as a uniquely South African system of capital accumulation that was based on a core set of industries and institutions that developed around mining (Fine and Rustomjee 1996; Capp G 2012). Key players were five mining houses, led by Anglo American, energy producers Eskom and Sasol and Iscor, an integrated steel producer. Eskom was established in 1922 to provide cheap electricity to the mines and industry.

It developed a "coal-electricity nexus" with coal mines located at power stations. (Winkler and Marquard 2007). Sasol was established in 1950 to provide security of oil supply, which it produced from coal. State-owned Iscor had a subsidiary that provided it with iron ore, coal and other raw materials. After 1994, its assets were unbundled or sold into Arcelor Mittal, a steel producer, Exxaro, a coal miner and Kumba Iron Ore. The mining component of the MEC internationalised its operations, shed non-core assets and made limited progress in introducing black shareholders. The "coal-electricity nexus" remained largely intact, though there were changes in ownership.

Since 1994, South Africa's carbon dioxide (CO_2) emissions have broadly tracked GDP growth. The country is the world's 11th largest emitter and accounts for 1.4% of global emissions (BP 2020). According to the Centre for Environmental Rights (CER) (2019) Eskom (39%) and Sasol (13.5%) accounted for 52.5% of total emissions. Other members of the top 10 emitters were: Arcelor Mittal (2.81%), South 32 (2.74%), Anglo American (1.4%), PPC (0.8%), Sappi (0.53%), African Rainbow Minerals (0.4%), Exxaro (0.16%) and Goldfields (0.1%). The top 10 companies accounted for 61.5% of total emissions. Companies that emerged from the apartheid-era MEC accounted for 60.1% of emissions. The list also highlights the role of other energy-intensive industries such as the production of cement (PPC), paper (Sappi) and steel (Arcelor Mittal) in generating high emissions.

5. UNEMPLOYMENT TRENDS SINCE 1994

As with the economy, there have been four phases in terms of employment trends since 1994. There have also been three Statistics South Africa surveys that collected employment statistics: the annual October Household Survey (OHS) between 1995 and 1999, the bi-annual Labour Force Survey (LFS) between 2000 and 2007, and the Quarterly Labour Force Survey (QLFS) since 2008. The OHS and the two LFS series used different methodologies, which makes it difficult to make direct comparisons between them. During the years of Gear, between 1996 and 2003, the number of unemployed people, according to the expanded definition, increased to eight million in March 2003 from 4.6 million in 1996.

The unemployment rate increased to 40.6% in March 2003 from 33% in 1996 (Stats SA, 2000; Stats SA, 2020). After the end of Gear, when the government started spending again, the economy created 3.1 million jobs as employment increased to 14.8 million in December 2008 from 11.7 million in March 2003. All sectors, except mining, created jobs. Most of the jobs were created in trade (779 000), construction (656 000), finance (606 000), and community and social services (586 000), which refers to the government and the non-governmental sector. The number of unemployed people fell by 2.1 million to 5.9 million. The unemployment rate declined sharply to 28.7%. Another reason for the drop in the unemployment rate is that the labour force grew by only 1.3% a year between March 2003 and March 2008, possibly due to Aids deaths (Stats SA, 2000; Stats SA, 2022b).

During the third phase - the "lost decade" - the economy shed one million jobs between December 2008 and March 2010 in the wake of the global financial crisis (GFC). Buoyed by a mild recovery after the crisis, the economy created 2.2 million jobs between March 2010 and December 2015, when total employment reached 16 million. As the trend GDP growth rate collapsed between 2014 and 2019, the economy created no jobs as total employment fluctuated at just above 16 million people. South Africa entered a fourth phase after the start of the Covid-19 lockdown at the end of March 2020. The economic collapse, the worst in almost century, wiped out about half the jobs that were created after the GFC.
There are two ways to slice the data from the quarterly labour force survey for the second quarter of 2022. First, from December 2008 to June 2022, the labour force grew by 7.1 million people to 27.8 million from 20.7 million. But the economy created only 793 00 jobs as total employment increased to 15.6 million from 14.8 million. The net result was that the number of unemployed people increased by 6.3 million to 12.3 million. The unemployment rate increased to 44.1% from 28.7%. A breakdown of the data by industries shows that the economy created 1.9 million jobs and shed 1.1 million. Most of the jobs were created in community and social services (990 000) and finance (691 000). Jobs were shed in manufacturing (590 000), private households (252 000), trade (172 000) and construction (99 000).

Second, from the start of the lockdown in March 2020 to June 2022, the labour force grew by 665 000 people to 27.8 million from 27.2 million. But the economy shed 821 000 jobs as total employment fell to 15.6 million from 16.4 million. The net result was the number of unemployed people increased by 1.5 million people to 12.3 million from 10.8 million. The unemployment rate increased to 44.1% from 39.7%. A breakdown of data by industries shows that community and social services created 62 000 jobs. But all other industries shed jobs. The largest job losses were in manufacturing (199 000), private households (192 000), construction (166 000) and trade (157 000).

South Africa's youth unemployment crisis is a ticking time bomb that could soon trigger an uprising such as the Soweto riots of 1976 or the Arab spring during the early 2010s. From December 2008 to June 2022, the number of young people (15 to 24) in the labour force increased by 173 000 to 3.7 million. The economy shed 548 000 jobs of young people (15 to 24) during this period. The number of unemployed young people (15 to 24) increased by 721 000 to 2.7 million from 2 million. The unemployment rate increased to 71.9% from 55.2%.

Young people should be at school. But the tertiary participation rate for Africans was 20% in 2019, according to the Council for Higher Education. In South Korea it was 98.5%. If one looks at a broader category, the number of young people (15 to 34) in the labour force increased by 2 million people to 12.8 million in June 2022 from 10.8 million in December 2008. The economy shed one million jobs. The number of unemployed young people (15 – 34) increased by 3 million to 7.3 million. The unemployment rate increased to 57.1% from 39.4%. During the second quarter of 2022, there were 9.3 million young people (15 to 34) who were not in employment, education or training (NEET).

6. EMPLOYMENT POLICIES AND PROGRAMMES SINCE 1994

Over the past 28 years, South Africa has had numerus policy frameworks, initiatives, social compacts, projects and plans to create employment. But none have delivered any success. In 1994, the African National Congress (ANC) went to the country's first democratic election with an ambitious economic development blueprint that was called the Reconstruction and Development Programme (RDP). The objective was to achieve an annual GDP growth rate of 5% and create 300 000 to 500 000 jobs a year.

But the RDP gave way to the Gear programme in June 1996. The Gear strategy said it would increase the GDP growth rate to 6.1% in 2000. The economy would create almost 1.4 million jobs between 1996 and 2000. This was 834 000 more jobs than would have created in absence of the strategy.

The Presidential Jobs Summit Agreement in October 1998 was a collection of projects, but had no macroeconomic policy or employment targets. In 2003, the National Economic Development and Labour Council (Nedlac) Jobs Summit committed to halve the unemployment rate by 2014. In 2006, the Accelerated Shared Growth Initiative of South Africa (ASGISA) set a target to grow the economy by 5% a year between 2004 and 2014 and halve the rate of unemployment by 2014. The economy would grow by 4.5% a year between 2005 and 2009 and by 6% a year between 2010 and 2014.

In November 2010, the government released the New Growth Path (NGP) which promised to create five million jobs by 2020 and reduce the unemployment rate to 15% from 25%. The economy would create three million more jobs than it would have in the absence of the NGP. In 2012, the National Development Plan (NDP) said the economy would create 11 million jobs and increase employment from 13 million in 2010 to 24 million in 2030. The NDP called for the government to expand public employment programmes to one million participants by 2015 and two million by 2020. It said the government must introduce a tax incentive to employers to create jobs.

In January 2014, National Treasury introduced a youth employment tax incentive or wage subsidy to encourage employers to create jobs for young people aged 18 to 29. Since then, the government has provided employers with subsidies of R42 billion. Yet from December 2013 to June 2022, the number of young people (15-34) in the labour force increased by 1.4 million people to 12.8 million from 11.4 million.

The economy shed 722 000 jobs. The number of unemployed young people (15 – 34) increased by 2.1 million to 7.3 million. The unemployment rate for young people (15 – 34) increased to 57.1% from 39.4%. The employment tax incentive is a wasteful subsidy for company profits.

Since he became President in February 2018, Cyril Ramaphosa has announced numerous initiatives to address the unemployment crisis. In his first Sona, he said: "At the centre of our national agenda in 2018 is the creation of jobs, especially for the youth." The Youth Employment Service (YES), a private sector initiative, would create one million internships in three years. More than four years later, on 10 September 2022, YES had created only 82 000 "work experiences". It was not clear how many of the young people were still working. YES has been a spectacular failure.

In October 2018, the Nedlac Jobs Summit agreement said the economy would create 275 000 jobs a year. In his February 2019 Sona, Ramaphosa said the oceans economy would create "over 100 000 direct jobs and more than 250 000 indirect jobs." In the 2019 Sona, he set a target to create two million jobs for young people within the next decade. But over the past 4.5 years, since Ramaphosa became president, the economy has shed 609 000 jobs. The number of unemployed people has soared by 3.1 million to 12.3 million. The unemployment rate has increased to 44.1% from 36.3%.

The government has also implemented various public employment programmes (PEPs) which will cost about R25 billion a year during the three-year MTEF until 2024-2025. This is equivalent to an average of 0.4% of GDP a year during this period (National Treasury, 2022a). The presidential employment stimulus (PES), established in October 2020 in response to the pandemic-induced recession, spent R23.6 billion until March 2022. During phase one until March 2021 it spent R12.6 billion. The budget for phase two until March 2022 was R10.9 billion. By April 2022, the PES had assisted 879 080 people. This included 686 459 jobs created, 152 222 livelihoods supported and 40 399 retained jobs. The target was to support almost 1.3 million work opportunities and livelihoods (The Presidency, 2022).

National Treasury has allocated R18.4 billion to the PES over the next two years until 2023-2024. It will create just over 500 000 short term work opportunities each year over the period. An analysis of the budgets suggests that these are not full-time equivalent (FTE) jobs (National Treasury 2022a). The expanded public works programme (EPWP) creates about 400 000 FTE jobs a year and has a budget of about R3.1 billion a year over the MTEF until 2024/2025. The National Youth Development Agency (NYDA) has a target to have 12 000 participants a year over the MTEF period in national youth service (NYS) expanded volunteer projects. The NYS, which is part of the PES, has an allocation of almost R500 million during the MTEF period. The agency will use a budget of R287 million to place 10 000 young people a year over the same period in jobs through the pathway management network.

The Community Work Programme (CWP) located within the department of cooperative governance has a budget of more than R4 billion a year to provide and maintain 250 000 work opportunities a year (National Treasury, 2022b). The Jobs Fund, which is located in National Treasury, was established in 2011. The fund's objective is to co-finance projects by public, private and non-governmental organisations that will significantly contribute to job creation. It has disbursed R5.8 billion to funds in various sectors. Partners have contributed R11.8 billion in leveraged matched funding. The fund's total impact is R17.6 billion. It has created 183 472 permanent jobs and placements, facilitated 16 883 seasonal jobs and 64 004 short term jobs. The fund has also trained 281 016 people and facilitated 23 082 completed internships (National Treasury, 2022c).

7. STATE CAPACITY

State capacity is probably the most important ingredient for achieving sustained high rates of economic growth and development. It is the initiator of economic growth and development. A developmental state has a certain character and organisational structure that determines its role in the economy. Its character is that of a Developmental Mindset. Chalmers Johnson wrote about this mindset: “A state’s first priority will define its essence…. For more than 50 years the Japanese state has given its priority to economic development. A state attempting to match the economic achievements of Japan must adopt the same priorities as Japan. It must first of all become a developmental state – and only then a regulatory state, a welfare state, an equality state or any other kind of state” (Johnson, 1982: 305-306).

Numerous authors have documented the organisational structure of the developmental state (Chang, 2010; Evans, 1995; Edigheji, 2010; Johnson, 1982; Wade, 2005). Its key elements include:

- A powerful, talented, prestige laden, elite and well-paid bureaucracy
- A political system that insulates the bureaucracy from special interests and provides it with the power and authority to implement policies (Politicians reign and bureaucrats rule)
- Bureaucrats are autonomous to formulate independent goals but are also sufficiently embedded in business networks to implement them
- A pilot agency located at the centre of the state and chaired by a senior politician to co-ordinate monetary, fiscal and industrial policies
- An operational agency that implements the nuts and bolts of industrial policy
- Close ties between business and industry through deliberation councils (in Japan) or other similar associations and structures

South Africa has a neoliberal state. It is neoliberal because it is implementing structural reforms that require it to withdraw from production and outsource the provision of basic services. Since markets, by design, can only cherry-pick prime customers, the state cannot meet the minimum requirements of the black and poor majority. It lacks the capacity to formulate and implement coherent policies to transform the structure of the economy and improve the well-being of the population. This is partly due to years of decline of the ruling African National Congress (ANC) which no longer attracts the best and the brightest in society and is not able to appoint the right people and formulate the right policies to achieve its historic mission and goals. There is an inexplicable policy paralysis in the party. Like a rabbit caught in the headlights, it cannot not offer any solutions to the crises of unemployment, poverty, and inequality. The ANC has given up on itself. It does not want to be in power anymore and is ready to share it.

The ANC did not intervene, when its former President Jacob Zuma went rogue and said nothing when his friends – the Gupta family – hijacked Eskom and Transnet under his watch. Paul Holden, a director of Shadow World Investigations told the Zondo Commission that the total cost of state capture involving the Gupta enterprise was R57.1 billion. "That is the total amount of money that the government spent on contracts tainted by the Gupta enterprise," he wrote in Daily Maverick. From these tainted contracts, the Gupta enterprise earned R16.2 billion. "This is the total amount earned by the Gupta enterprise from state capture, starting with its early scams in the Free State in 2011, and then spreading to various organs of state, most notable Eskom and Transnet," he wrote. (Holden, 2021a; 2021b; 2022c).

But corruption extended far beyond the Gupta enterprise as has been documented in reports by the Zondo Commission. The Auditor-General of South Africa (AGSA, 2021) 2020-21 Consolidated General Report on National and Provincial Outcomes said: "Poor financial and performance management in key service delivery departments means that citizens are denied critical services that can help sustain and improve their lives." It also noted that SOEs are in serious financial difficulty. The South African Broadcasting Corporation and the Nuclear Energy Corporation disclosed uncertainty in their financial statements about whether they will be able to continue with their operations.

The deteriorating financial health of SOEs had increased the financial burden on the government, through bailouts and guarantees. "These concerns spill over into the ability of SOEs to fulfill their mandates and directly affects the South African economy and, ultimately the lived experience of South African citizens." There were seven outstanding audits in 2021 that had material uncertainties on their ability to continue as going concerns in previous years. – Alexcor, the Land Bank, the South African Post Office, SAA, South African Express Airways and Denel. The AGSA report found that only 115 auditees, who represented 19% of the expenditure budget of R1.9 billion managed by national and provincial government, had a clean audit. And 31 were close to achieving a clean audit.

Irregular expenditure reported in the financial statements increased to R166.9 billion from R109.8 billion in the previous year. The AGSA defines irregular expenditure as: "Expenditure that was not incurred in the manner prescribed by legislation and does not necessarily mean that money was wasted, and that fraud was committed." The National Student Financial Aid Scheme was responsible for R77.5 billion of the total, mainly because it did not consult with the respective minister on the funding rules and eligibility criteria for student bursaries, as required by legislation. Unauthorised expenditure remained high at R3.2 billion, all from overspending of the budget. Fruitless and wasteful expenditure was R1.7 billion.

Though state capture, corruption and the political deployments of incompetent people have had a serious impact on the delivery of services, there is also a need for a discussion about the size of the public service and impact of macroeconomic policies on state capacity. The austerity policies have had a major impact on the government's ability to deliver basic services and infrastructure, especially during the last decade. The public sector includes: the public service, defined as national and provincial departments in terms of the Public Service Act of 1994, local government, state-owned companies such as Eskom and Transnet and other institutions such as universities and chapter nine institutions.

According to Hassen and Altman (2010) the public service employed 1 269 141 people in 1994. A presentation by the Department of Public Service and Administration (Makhasi, 2022) shows that there were 1 234 768 people employed in the public service at the end of 2021. The apartheid public service was geared to serve a minority of the population. A democratic government should have increased public service employment to deliver services to a larger population. Instead, the number of people employed in the public service has declined by 34 373 (2.7%) between 1994 and 2021. This increase has not kept up with the 48% increase in the population to 60.1 million in 2021 from 40.6 million in 1994.

If it had kept up only with the size of the population, the public service would have employed 1 861 295 people at the end of 2021 – 592 689 more people than were employed in 1994. Makhasi (2022) says there were 767 695 people employed in health (296 950) and education (296 950) – 62.2% of all public servants. There were 164 461 vacancies in the public service at the end of 2021 with health and education accounting for 112 455 or 68% of total vacancies. There were 336 317 posts in health of which 39 367 were vacant and 543 833 posts in education of which 73 088 were

vacant. The total posts in health and education were 880 150, which was equivalent to 66% of total posts.

South Africa can no longer postpone equalising its health and education systems. This will require an unprecedented mobilisation of resources, including finance, infrastructure, technology and health and education professionals. In 2019/2020, the government spent R221.9 billion to provide health services to 50.7 million people – 85.1% of the population who did not have access to a medical aid. This was equivalent to a per capita spend of about R4 376 (National Treasury, 2020). In 2020, medical aids paid R162 billion to 8.9 million people, who accounted for 14.9% of the population. The average spend per beneficiary was R18 202, which was equivalent to 4.2 times the per capita spend in the public sector (CMS, 2021) . With efficiencies of scale a well-managed National Health Service (NHS) could provide a similar level of services as the private sector with two-thirds of the resources. This would cost about R600 billion, which implies an annual shortfall of almost R400 billion.

Department of Health modelling that was based on a low bar of reducing inter-provincial inequities in the allocation of resources by 2025 said the country would require 97 000 additional health workers. Expanding public sector public health care utilisation “to the benefits package defined in national policy is estimated to require an additional 88 000 health workers by 2025” (DOH, 2020). The Organisation for Economic Development and Cooperation (OECD, 2021) says South Africa had 0.8 doctors per 1 000 population in 2019, compared with an average of 3.6 for its members. In April 2020, there were 43 901 medical practitioners registered with the Health Professions Council of South Africa. In 2019, the public sector employed 20 873 doctors, including 4 827 medical specialists.

The national density was 0.3 doctors per 1 000 public sector population, according to the Department of Health (DOH, 2020). Using the OECD benchmark and a population of 59.5 million in 2020, South Africa had a shortfall of 170 299 doctors. The OECD (2021). found that South Africa had 1.1 nurses per 1 000 population, with an average of 8.8 for its 38 members. This was the lowest of its 44 members and six partner countries (Brazil, China, India, Indonesia, Russia and South Africa). According to the South African Nursing Council (SANC, 2022) there were 280 231 nurses in 2020. This comprised 154 024 registered professional nurses, 61 028 enrolled nurses and 65 179 auxiliaries or assistant nurses. The OECD data excludes assistant nurses from its calculations and benchmarks. To make comparisons with OECD members and partner countries, there were 215 052 nurses using SANC data.

However, the DOH (2020) says the SANC data overestimates the stock of working health professionals because it includes professionals that have left South Africa, retired or who work outside their profession. In the public sector, there were 136 567 nurses on the PERSAL database in 2019. This figure included: 71 707 professional nurses, 31 039 enrolled nurses and 33 821 nursing assistants. Excluding assistants, there were 102 746 nurses in South Africa (DOH, 2020). Although the OECD ratio of 1.1 nurses per 1 000 population was based on an implausibly low figure of 65 450 practicing nurses in 2019, the benchmark of 8.8 nurses translates into about 523 600 nurses for South Africa and about 445 060 for the public sector population. To reach the OECD benchmark, South Africa will need to employ more than 300 000 nurses in the public sector alone.

In South Africa, the learner-educator ratio in public schools was 31.4 in 2021, according to the Department of Basic Education. There were 12 706 157 million learners and 405 050 educators. In independent schools, the learner educator ratio was 16.7. There were 703 092 learners and 42 073 educators in independent schools (DBE, 2022). This means that South African will have to employ 760 848 educators in public schools – 355 798 more educators than are currently employed - to equalise the country’s two education systems. The analysis above suggests the need to employ more than 800 000 people in health and education alone to deliver quality public services. If similar benchmarks are conducted in the rest of the public service, including police and correctional services officers and care workers, we would need to employ more than one million people.

There is also a need for a discuss the role of macroeconomic policies – austerity measures – in decimating state capacity and backsliding in the provision of Constitutionally enshrined socio-economic rights, especially over the past decade. According to Spaull et. al. (2020), government spending per learner declined by 2.3% a year between 2009 and 2018. The fiscal squeeze was deeper in some of the most impoverished provinces – Free State (-13%), Limpopo (-12.5%) and the North West (-11%). Provinces were coping by implementing hiring freezes and not filling vacant posts. Blecher et. al. (2017) said real (after inflation) growth in public health expenditure dropped to an annual average of 1.8% between

2012/13 and 2019/20. Between 2008 and 2016, the uninsured population (that has no access to medical aids) grew at an average rate of 1.5% a year, which eroded the per capita real trend. “Adjusting for population growth, real per capita, public health expenditure has levelled off since 2012/13 and according to some measures it is decreasing,” the authors said.

Public sector wages are sometimes measured as a percentage of GDP. This means that with a high GDP growth rate, South Africa can afford to significantly increase the size of the public sector without increasing the wage bill as a percentage of GDP. The wage bill as a percentage of GDP declined to a low of 7.3% in 2006-2007 from 8.6% in 2000-2001 despite an increase in employment of 90 000 over the same period, according to analysis by Hassen (2017). A rising public service wage bill as a percentage of GDP can also reflect a low rate of economic growth. Public sector wages are also measured as a percentage of government spending. Since government spending tracks GDP growth, a growing economy will result in a lower public service wage bill as a share of government spending.

When the economy does not grow, the wage bill will tend to increase as a share of government spending. In 1996-1997, the public sector wage bill was 40.8% of consolidated spending. The ratio fell to a low of 31.2% in 2007-2008 as the economy (or nominal GDP) grew faster than the growth of the public sector wage bill from the early 2000s. It increased to 34.2% of consolidated state spending in 2012-2013 as the government implemented the Occupation Specific Dispensation and gave large wage increases to public service professionals to reduce the gap with private sector salaries. The wage bill has declined to a low of 29.9% of consolidated spending in 2021-2022 (National Treasury 2022).

With its high levels of poverty, South Africa needs a new model for the public sector – a developmental welfare state that combines the lessons of the East Asian development states with those of the Nordic welfare states. Education and health should be seen as human rights. Access to them should not depend on ability to pay. Since state capacity is poor, there is a need to innovate in the delivery of services and infrastructure. Swilling and Giraud (2019) propose ring-fenced institutional arrangements that blend public and private funding to prevent funds from being depleted through rent seeking.

8. INTERNATIONAL BEST PRACTICES IN ECONOMIC DEVELOPMENT

There now appears to be a near-unanimous consensus about the policy ingredients that contributed to the spectacular economic growth and development performance of the North and South East Asian Tigers and more recently countries such as China, India, Vietnam and Ethiopia, from 2003 until the war in Tigray which started in November 2020. First, each of the Asian and African developmental states had a mobilising vision and plan for the economy, which usually was to double the size of the economy every decade. This required an annual GDP growth rate of about 7%. The national vision was broken down into five-year plans that had annual targets which were adjusted each year.

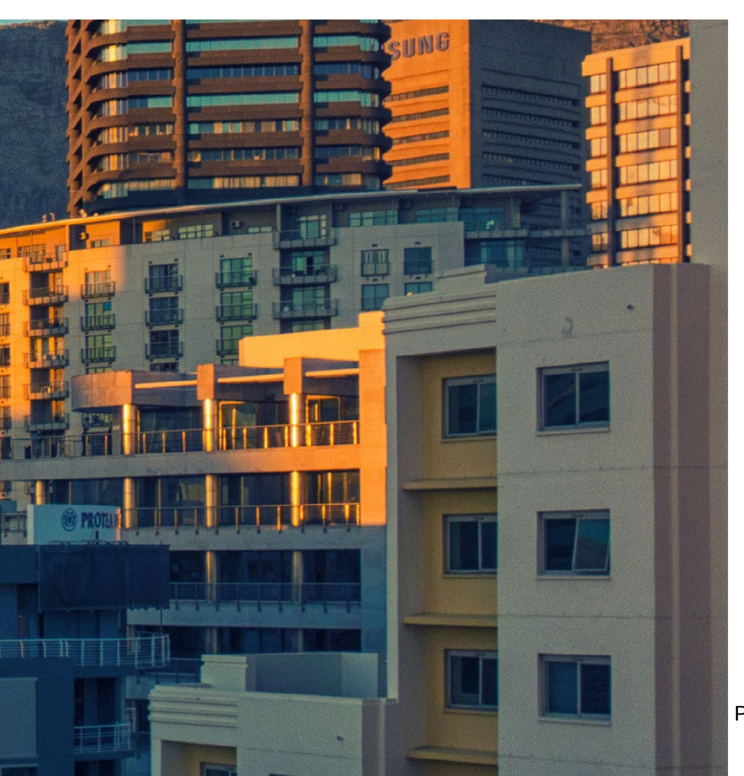
Throughout each year, the governments would adjust the tools of macroeconomic policy to achieve the growth targets. Japan had an income doubling plan. In Vision (Wawasan) 2020, former Malaysian prime minister Mahathir bin Mohamad wrote: “With regard to the establishment of a prosperous society we can set many aspirational goals. I believe that we should set the realistic (as opposed to aspirational) target of almost doubling our real GDP every 10 years between 1990 and 2020. If we do this, our GDP should be about eight times larger by the year 2020 than it was in 1990.” (Mahathir, 1991)

Second, they had state capacity. Developmental state theory looks at the role of the state in economic development. Amsden (1989:11) wrote: “The first step towards understanding how ‘backward countries’ countries in the twentieth century eventually expanded is to ask how they fell behind relative to the industrial world in the first place. The development process is enormously, but one can say as a first approximation, that (1) the onset of economic expansion has tended to be delayed by weaknesses in the state’s ability to act and (2) if and when industrialisation has accelerated, it has done so at the initiative of a strengthened state authority….Quite simply, industrialisation was late in coming to ‘backward countries’ because they were too weak to mobilise the forces to inaugurate development.”

Third, many economists agree that East Asia’s high growth was almost entirely due to its high rate investment. Andersen (2006) said: “Simply put, Asia grew because it invested more, full stop. Asia invested more because it saved more. In fact, with the possible exception of a common focus on export markets, a high domestic savings rate was the only common element that tied all the fast-growing Asian countries together. From 1960-1995, the average domestic savings rate was an astonishing 32%. – and as a result Asia was

able to invest 31%. The lesson of Asia is that when you have domestic savings rate of 30% of GDP or more, it's awfully hard not to grow at 8%." Studwell (2013) wrote that every one of the major East Asian economies, delivered high post-war savings and investment rates of 30% to 50%. The elements of the capital accumulation strategy included meaningful state influence over finance, a limited role of foreign capital, partly due to filters on capital inflows and outflows, high rates of public investment supporting total investment and a focus on production over consumption.

Fourth, there was industrial upgrading. Growth was driven by changes to the structure of production to reallocate labour from activities with low productivity (unemployment and disguised unemployment in agriculture and urban informal employment) to those with high productivity in industry. State capacity initiates development. Capital accumulation (or investment) is the catalyst for structural change. But since a given rate of investment can generate different output and employment growth rates depending on its nature and composition, industrial policies are required to shape the pattern and structure of production according to the broad division of sectors – agriculture, industry and services – and within these sectors. Initially there was a focus on labour intensive sectors.



As educational attainment increased, industrial policies evolved to move into sectors that required intermediate and high-level skills. There are three types of industrial policies, which should complement each other. There are macroeconomic policies - government spending, interest rates, exchange rates and trade and competition policies. There are multi-sector horizontal policies – the promotion of small and medium enterprises, incentives for research and development and education and training. Finally, there are sectoral policies and targeting, which has been described as the core of industrial policies.

Fifth, Asian developmental states made major gains in terms of human development – educational attainment and health. South Korea achieved the world's largest increase in human capital stock between 1960 and 1990. In 1960, soon before it embarked on its high-growth phase, 59.6% of the country's population had no schooling. The population aged 25 and above had an average of 3.12 years of schooling. This was lower than South Africa's figure of 4.17 years at the time. By 1990, the figure was 9.11 (Barro and Jong-Wha, 2013). Today, South Korea is one of the most educated countries in the world with 70% of the population aged 25 and 34 having a tertiary education qualification. This compares with South Africa's 15% and an OECD average of 45% (OECD, 2021). South Korea had a tertiary participation rate of 98.5% in 2019. In South Africa the figure for Africans was 20%. Japan's constitution says everyone has a right to healthcare and that he government's must ensure that the right is realised. The country has had universal health insurance since 1961.

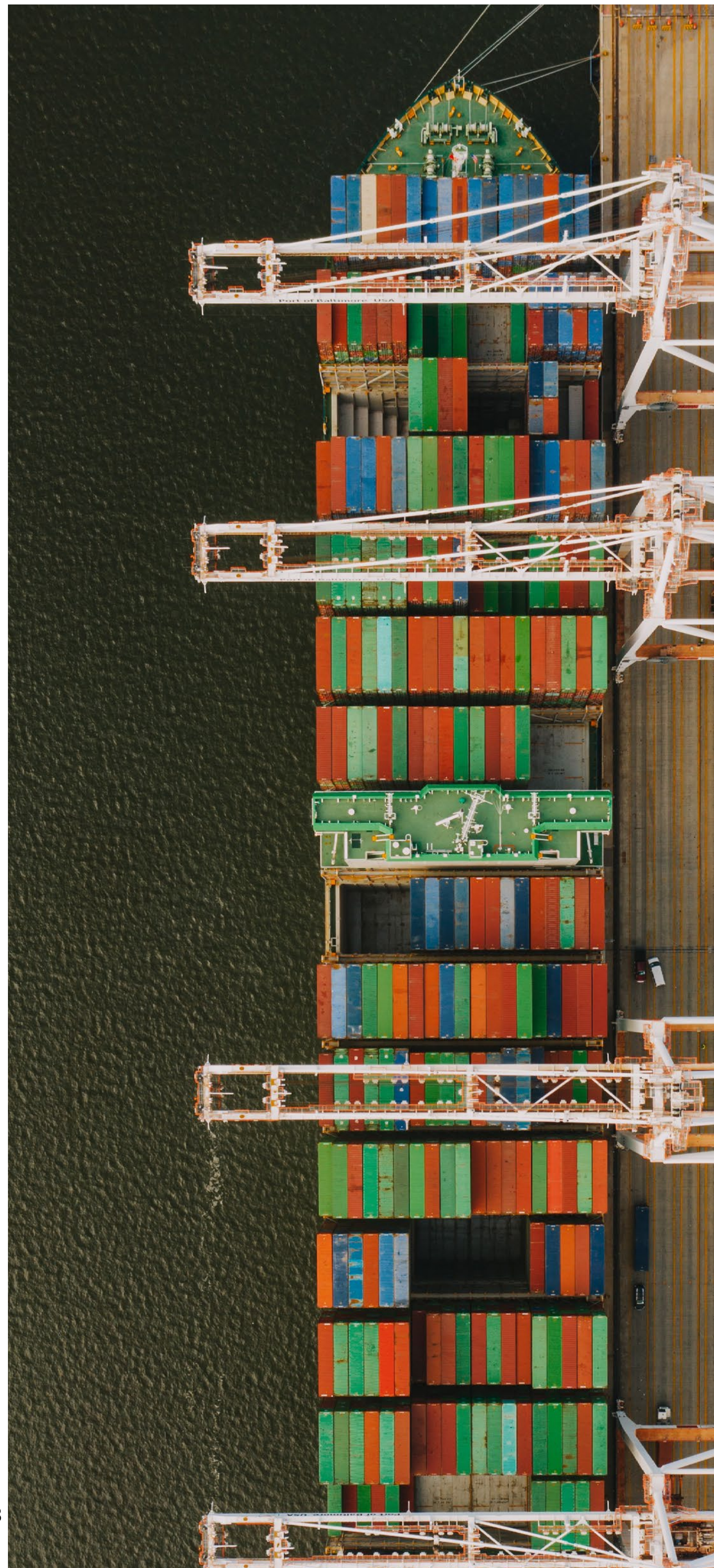
Finally, Asian developmental states used a wider range of policy tools that go far beyond Keynesian type expansionary macroeconomic policies that promote growth in aggregate demand. For example, the developmental state does not just reduce interest rates and leave matters to the market. It uses additional

policy tools ("that get prices wrong") to change market outcomes and achieve developmental goals. For example, in South Korea, exporters could lend at real interest rates of between -10% and -20% in an economy where there was inflation of between 15% and 20% during the high-growth phase Studwell (2013). There were differential interest rates depending on what the loans would be used for.

The use of a wider range of policy tools has two implications for the design of macroeconomic policies. Firstly, there must be a permanent, genuine, detailed and close coordination of monetary, fiscal and industrial policies. This has implications for the independence and mandates of central banks. Secondly, an inflation targeting framework with one goal (price stability) and one policy tool (interest rates) for monetary policy is not appropriate during the phase of industrial development and catch-up. There is a need for multiple policy tools to address multiple economic policy objectives.

Polterovich and Popov (2003: 8-9; 51-52) provide a final word on exchange rate policy. "Developing countries pursue the conscious policy of low exchange rates as part of their general export orientation strategy. By creating downward pressure on their currencies through building up foreign exchange reserves, they are able to limit consumption and imports and to stimulate exports. Undervalued currency appears to be a necessary component of export led growth. It used to be the strategy of Japan, Korea, Taiwan and Singapore some time ago when these countries were poor and catching up with high-income states. "It is by no means an accident that all very fast-growing economies are also famous for high and rapidly growing international reserves.

"The accumulation of foreign exchange reserves is a powerful macro-economic mechanism for raising long-term growth rates. It is simple, if not to say, primitive, but that is where its major strength lies. It is available to all countries in all periods even when other measures to boost economic growth are not feasible… If there is nothing else to do in a country with numerous government failures and poverty and institutional traps, there is at least a chance to provide an efficient big push to development via the accumulation of reserves. Even the most inefficient and corrupt governments can use reserve accumulation as the last resort devise to promote growth."



After a technical rebound in 2021, all economic forecasts show that South Africa has returned to its pre-pandemic trend of low GDP growth – the "Gwara-Gwara" immiserating outlook in the Indlulamithi scenarios that will produce average GDP growth of 1.8% a year until 2030 (Adelzadeh et al 2021). The time has come to discard the failed economic policies of the past 28 years and walk away from a "dangerous development path" that will create a "demoralised land of disorder and decay," according to the scenarios. We must chart a new path towards economic development until 2030 and beyond along the lines of the "Nayi-le-Walk" pro-poor outlook where "growing social cohesion, economic expansion and a renewed spirit of constitutionalism get South Africa going." On this new economic development path we can begin to dream again about the kind of country in which we want to live.

Adelzadeh et al (2021) modelled the impact on the "Alternative Six Pillar Policy Scenario" (more details are in Appendix one) and found that it would result in average annual GDP of 6.2% and create between 8.7 million (mild scenario) and 9.9 million (severe scenario) jobs over the next decade. It would reduce the unemployment rate by almost 70% to 12.2% by 2030. The poverty rate would decline by almost 50% to 23%. Income inequality would decline by 16 percentage points. In addition, this policy scenario would generate the funds to pay for the expected increase in government spending and result in a declining annual debt to GDP ratio due to the higher GDP growth rates and lower real interest rates. Drawing on the lessons of international economic development and the framework that the six pillar policy scenario provides, this paper presents new macroeconomic policies to take South Africa forward.

9.1 A MOBILISING VISION AND PLAN

South Africa must develop a new macroeconomic policy framework that has 6% GDP growth and full employment targets that are binding on National Treasury and the Reserve Bank, the two most important institutions in the economy. The GDP growth target is a minimum target that policy makers should seek to exceed. Full employment will be defined as an expanded unemployment rate of less than 5%. With the right economic policies and focused implementation over the next 14 years, South Africa can achieve full employment by 2035. The weakness in previous employment policies is that they were not aligned with macroeconomic policies. GDP growth and employment were subordinate to other macroeconomic policy goals such as debt reduction and inflation.

South Africa must have a developmental central bank that has a triple mandate to target GDP growth, employment and inflation. The Reserve Bank must also have a preference for a competitive exchange rates to support exports and domestic production to replace imports. With binding GDP and employment targets, National Treasury's policies will change from its self-defeating austerity policies to reduce debt towards sustainable ways of containing the debt burden by growing the economy. The Reserve Bank will change from its focus on fighting inflation at all costs and develop new policy tools to grow the economy and create jobs. It will implement the recommendations (outlined in appendix one) that are in the macroeconomic policy reform pillar of the six pillar framework and reduce interest rates.

Since GDP growth has well-known limitations and does not automatically result in an improvement in human well-being, we must also focus on the quality of growth. Raworth (2018) has proposed a new compass for guiding humanity during the 21st century in her book Doughnut Economics. The doughnut is a visualisation of the planet's ecological and social boundaries that underpin human well-being. The ecological ceiling, the doughnut's outer ring, comprises the nine planetary boundaries, which relate to climate change, ocean acidification, chemical pollution, nitrogen and phosphorus loading, freshwater withdrawals, land conversion, biodiversity loss, air pollution and ozone layer depletion.

The doughnut's inner ring, the social foundation, sets out the 12 basics of life on which no one should be left falling short. These are: sufficient food, access to health and education, a minimum income and decent work, clean water and decent sanitation, access to energy and clean cooking facilities, access to networks of information and social support and decent housing. These goals must be achieved with gender equality, social equity, political voice and peace and justice. These targets are all included in the United Nations' 17 Sustainable Development Goals (SDGs).

In South Africa, there are huge shortfalls in all dimensions of human well-being, including Raworth's 12 basics of life that constitute the social foundation and the 17 SDGs. The country's indicators for unemployment (SDG 8), poverty (SDG 1), hunger (SDG 2) inequality (SDG 10) and gender inequality (SDG 5) are shocking. Therefore, South Africa's developmental path must significantly reduce the carbon intensity of GDP growth and make a rapid transition away from coal and petrochemical industries. The proposals in this set of alternative policies will ensure that nobody is left behind and will begin to repair the broken social and ecological foundations of South Africa's economy.

9.2 A BASIC INCOME GRANT (BIG) AND UNIVERSAL SOCIAL SECURITY

The Social Policy Initiative (SPI) has modelled eight scenarios for implementing a BIG over a three-year implementation period. (Gqubule 2022a). The preferred option proposes that the government should provide a BIG for adults aged 18 to 59 and extend it to children who currently receive a child support grant of R480 a month. After escalating the 2021 poverty lines by 5% a year, the BIG would be at the food poverty line of R655 a month during the first year in 2023-2024, the lower poverty line of R982 during the second year in 2024-2025 and the upper poverty line of R1 546 during the final year in 2025-2026. This would cost R547.8 billion during a three-year implementation period.

The new spending would be equivalent to 2.5% of National Treasury's projected GDP of R21.8 trillion over the next three years. If a household discovered that it would cost 2.5% of income to eliminate black tax it would pay without batting an eyelid. The BIG will stimulate local economies from Soweto to Eldorado Park in Johannesburg and from Umlazi in Durban

to the Cape Flats in Cape Town. It would provide a stimulus to the economy of between 2.5% and 3.8% of GDP a year over three years.

There would be a GDP growth rate of between 4.3% and 5.6% a year, assuming fiscal multipliers of 1 and 1.5 respectively. The economy would create between 1.6 million and 2.1 million jobs - much higher than the 640 000 jobs that would be created under National Treasury's baseline forecast of 1.8% GDP growth a year during the implementation period. The debt to GDP ratio would increase by between 2.4 and 3.1 percentage points. This would be a small price to pay for a policy that would eliminate income poverty in three years. Finally, the government must accelerate the implementation of its commitment to end means tests for social grants so that it can deliver universal social security.

9.3 A JOB GUARANTEE

Internationally, Universal Basic Income (UBI) and a job guarantee are seen as competing proposals. Tcherneva (2007) says a job guarantee program in the United States would offer a federally funded job to anyone who is ready, willing, and able to work, but who has not found other employment. The jobs would be federally funded but do not need to be provided by the federal government. Civil society organisations could also bid to implement projects that will create jobs. Martin Luther King Jr saw the two policies as complementary. In an article published after his death, he wrote: "We need an economic bill of rights. This would guarantee a job to all people who want to work and are able to. It would also guarantee an income to those who are not able to work. Some people are too young, some are too old, some are physically disabled, and yet in order to live, they need an income" (King, 2018).

Tcherneva (2007) says the dichotomy of policies that target "only income" or "only employment" is no longer constructive. An effective safety net must provide both a guaranteed income and guaranteed work opportunities. Battistoni (2021) says civil rights leaders and the Black Lives Matter movement in the United States has called for both a basic income and guaranteed jobs. There is no reason why the two policies cannot be pursued together. While UBI sets a dignity floor for everyone's standard of living, Battistoni (2021) says if paid work is as important to well-being as job guarantee advocates say, most people would want a job even after receiving a basic income.

Also, if the goal of the UBI is to make a baseline of consumption a human right, the goal of the job guarantee is to make work a universal human right (Spross 2020). Within the South African context a dignity floor at the UBPL of R1 335 a month as a human right would immediately eliminate poverty. But this is a very low floor. It would not be enough to enable human flourishing. We must set a higher bar for well-being. There must be a second dignity floor at the level of the living wage. The minimum wage was set too low – far below what most South Africans would agree constitutes a living wage.

The proposal is that the government should amalgamate all its public employment programmes – the Presidential Employment Stimulus, EPWP, CWP, NYS and Jobs Fund which cost about R25 billion a year – and convert them into a quasi-public institution that has civil society oversight and professional management. The government should abolish the employment tax incentive and direct its budget of more than R6 billion a year into this new institution which would develop the capacity to provide a job guarantee. The new institution should have a target to provide up to five million full time jobs a year at a living wage of R5 000 a month, indexed to the inflation rate, within five years. The job guarantee will play a critical role in increasing the labour intensity of GDP growth.

It could create three types of jobs. The first would relate to state provision where there will always be a need. Such provision could be insourced. Examples could include the construction and ongoing maintenance of new and existing social infrastructure, including schools, hospitals and roads. The second would relate to skills that are required in the private sector after a thorough analysis of labour market trends and industrial policies. Therefore, the EPWP could create employment and skills pathways for future private sector jobs. The third would relate to service jobs in the care economy. The job guarantee should be seen within context of a broader set of policies that will: eliminate poverty through basic income and create millions of other jobs through a fiscal stimulus and higher spending on infrastructure and industrial policies and rolling out universal public services.

9.4 INDUSTRIAL POLICIES

South Africa should implement aggressive industrial policies to increase the labour intensity of production – targeting all sectors that have high employment multipliers and not just a few within manufacturing. The government must increase annual industrial financing to 2% of GDP within five years from 0.2% and develop other policy tools. The Reserve Bank and the Public Investment Corporation (PIC) must contribute towards the financing of the industrial policies, recapitalise development finance institutions (DFIs) and establish new funding windows for sector masterplans.

The DFIs, with access to cheaper finance from the Reserve Bank, will provide subsidised funding for black SMEs. They will increase annual funding for black SMEs to 0.5% of GDP within five years. The government will also establish a new agency to provide subsidised micro finance to black SMEs. It will introduce lending targets (or quotas) for bank lending to labour intensive sectors and black SMEs. Aggressive industrial policies, which result in small increases in the employment multiplier, can significantly accelerate the pace of job creation and the time it takes to get to full employment.

Gqubule (2020b) outlines three scenarios that illustrate the potential of such policies. First, with 6% GDP growth, no industrial policies and an employment multiplier of 0.8, the economy will create 13.5 million jobs by 2035. But there will still be 9.2 million unemployed people at the end of the period. The unemployment rate will fall to 24.7%. Second, with aggressive industrial policies and an employment multiplier of 1, the economy will create 18.3 million jobs by 2035 – 4.8 million more jobs than the first scenario. The number of unemployed people will decline to 4.3 million. The unemployment rate will fall to 11.7%. Third, with aggressive industrial policies and an employment multiplier of 1.1, the economy will create 21 million jobs by 2035 – 7.5 million more jobs than the first scenario – and the number of unemployed people will decline to 1.6 million people. The unemployment rate will fall to 4.4%.

9.5 INFRASTRUCTURE

South Africa should target an investment to GDP ratio of 30% of GDP. The public sector must increase its investment to between 10% and 15% of GDP – whatever it is required to support the 30% target - within the next five years. There is also a need for urgent measures to restore the financial health of SOCs, so that they can help reverse the public sector investment strike. Investment by SOCs has plunged to 26.2% of total public investment in 2021-2022 from 58% in 2011. The first priority is to reduce Eskom's debt so that it is in a financial position to maintain the existing fleet and finance a green transition that could cost R1 trillion by 2030 (Business Times, 2022). Since tariff increases and debt alone cannot finance the transition, the government must provide additional funding for Eskom.

There are three options. First, the PIC could write off Eskom debt of almost R90 billion with the Reserve Bank settling the remaining R110 billion. Second, the PIC could write off Eskom debt of R90 billion with National Treasury lifting R110 billion to the national balance sheet. Alternatively, National Treasury could take over debt of R200 billion as part of a restructuring of the SA Inc. balance sheet as is proposed in this paper. The government should also transparently demarcate the developmental and commercial mandates of SOEs. The state must provide adequate funding for developmental mandates. Well-run commercial operations can partly finance developmental mandates.

The DFIs, with access to cheaper finance from the Reserve Bank, will provide subsidised funding for black SMEs. They will increase annual funding for black SMEs to 0.5% of GDP within five years. The government will also establish a new agency to provide subsidised micro finance to black SMEs. It will introduce lending targets (or quotas) for bank lending to labour intensive sectors and black SMEs. Aggressive industrial policies, which result in small increases in the employment multiplier, can significantly accelerate the pace of job creation and the time it takes to get to full employment.

Gqubule (2020b) outlines three scenarios that illustrate the potential of such policies. First, with 6% GDP growth, no industrial policies and an employment multiplier of 0.8, the economy will create 13.5 million jobs by 2035. But there will still be 9.2 million unemployed people at the end of the period. The unemployment rate will fall to 24.7%. Second, with aggressive industrial policies and an employment multiplier of 1, the economy will create 18.3 million jobs by 2035 – 4.8 million more jobs than the first scenario. The number of unemployed people will decline to 4.3 million. The unemployment rate will fall to 11.7%. Third, with aggressive industrial policies and an employment multiplier of 1.1, the economy will create 21 million jobs by 2035 – 7.5 million more jobs than the first scenario – and the number of unemployed people will decline to 1.6 million people. The unemployment rate will fall to 4.4%.

9.6 UNIVERSAL PUBLIC SERVICES AND HUMAN DEVELOPMENT

The government must deliver a basket of high-quality universal public services to supplement basic income and a job guarantee. It must take profit out of health and education, and deliver affordable and subsidised public green energy, transport and mass housing. The government must develop a roadmap for the rollout of the NHS over the next decade. In 2020-2021, the government spent R256.2 billion on healthcare, which was equivalent to 4.1% of GDP. The NHS can be financed by a combination of higher rates of GDP growth, increases in public healthcare spending as a percentage of GDP, payroll taxes, medical aid tax credits (R34.5 billion in 2019-2020), co-payments and other taxes. The rollout of the NHS

must start with the ending of medical aid tax credits and the introduction of a payroll tax for employers and employees, starting at 1% each and increasing gradually over the next five years. Other taxes can be added to the funding model during the implementation period.

South Africa must also provide universal, free and quality education for all and dramatically increase the whole population's levels of educational attainment. The tertiary participation rate was 21.8% in 2018 – 20.2% for Africans and 48.6% for whites - compared with 75.6% in OECD countries (DHET, 2021). South Korea and Chile had tertiary participation rates of 95.9% and 90.1% respectively during the same year. In 2020, 15% of South Africans aged 25-34 had a tertiary qualification. The OECD average was 45%. In South Korea the figure was 70%. To achieve a universal system of tertiary education, with a participation rate of 75%, South Africa will probably have to more than double the annual output of bachelor passes from about 220 000 and double the size of the tertiary sector.

In 2019, 71% of learners went to no-fee public schools. There were 16% of learners who paid annual fees of less than R1 000 and 9.5% who paid between R1 000 and R12 000. Only 3.3% paid fees of more than R12 000 (DBE, 2021). In 2019-2020, 1.1 million (63.2%) of the 1.8 million students enrolled in tertiary education did not get state support. While NSFAS provides funding to about half of undergraduate university and TVET students, it is the lack of funding for post-graduate studies that pulls the average down. The National Research Foundation provides funding to only 6.9% of post-graduate students. The country must abolish fees at all schools. It would also cost about R121 billion a year to provide free tertiary education to all, of which R78 billion would be new money after taking into account NSFAS spending of R43 billion for the 2021-2022 financial year (Gqubule, 2021b).

10. MYTHS ABOUT PUBLIC SECTOR FINANCE

10.1 SOUTH AFRICA IS A MONETARILY SOVEREIGN COUNTRY THAT CANNOT RUN OUT OF MONEY.

South Africa is a monetarily sovereign country that cannot fail to meet its obligations in its own currency unless it chooses to do so. It cannot go bust or run out of money. Austerity is a political choice. According to modern monetary theory (MMT), a monetarily sovereign country is one that prints its own currency, borrows only in its own currency and

does not promise to convert its currency into something that it can run out of, such as another currency. In other words, it does not accumulate foreign currency loans or peg its currency against another currency. Technically, such a country cannot default on its debt.

It can pursue its economic development objectives without worrying too much about the reactions of international investors. MMT is a new school of economics that is within the Keynesian tradition. Kelton (2020) says monetarily sovereign countries can harness the power of their "public money" or "sovereign currency." This means that such countries have no financial constraints on spending. But "every economy has its own internal speed limit, regulated by the availability of our real productive resources. MMT distinguishes the real limits from delusional and unnecessary self-imposed constraints," she says. South Africa has constraints that relate to state capacity and corruption.

Over the past four decades, every developing country currency or debt crisis — including Mexico (1982 and 1994), East Asia (1997), Russia (1998), Brazil (1999), Argentina (2002 and 2018), Turkey (2018), Lebanon (2019), Zambia (2020) and Sri Lanka (2022) — arose because of a loss of monetary sovereignty after the accumulation of foreign currency loans or futile attempts to defend a currency peg. MMT does not apply to many developing countries that do not have monetary sovereignty. The countries that are used to show that MMT does not work do not have monetary sovereignty. However, South Africa is not Sri Lanka. It has a relatively high degree of monetary sovereignty.

It does not fix its currency. At the end of March 2022, it had foreign loans of R493.3 billion, which was equivalent to 11.4% of gross loan debt of R4.3 billion. Foreign loans were equivalent to 7.9% of GDP in 2022. Foreign ownership of government bonds was 28.2% in 2021 (National Treasury 2022). Foreign ownership of shares on the Johannesburg Stock Exchange (JSE) was 40% in May 2020 (Gqubule, 2020). An astonishing 75% of the assets of JSE-listed companies were foreign at the end of December 2020 (Gqubule, 2021a). South Africa can increase its monetary sovereignty by paying off some of its foreign loans and reducing foreign ownership of bonds and shares. It can ban the large inward listings of companies that have few domestic assets and distort the JSE.

10.2 A COUNTRY DOES NOT NEED TO HAVE A RESERVE CURRENCY TO IMPLEMENT MMT

Kelton (2020) writes in her book The Deficit Myth that she gets asked if MMT applies to countries outside the United States. "It does! Even though the US dollar is considered special because of its status as a global reserve currency, lots of other countries have the power to make their monetary systems work for their people. MMT can be used to describe and improve the policy choices available to any country with a high degree of monetary sovereignty." There is no reason why a monetarily sovereign developing country that uses the power to issue its sovereign currency to support the domestic economy should automatically see a drop in international demand for its currency. The two issues are not related.

There is no automatic debasement of the currency through inflation, depreciation or punishment from international investors through a "sudden stop" of capital inflows. The IMF (2020) conducted a study of 18 emerging market central banks, which had, for the first time, implemented quantitative easing (QE), the purchase of government bonds on primary and secondary markets. Primary markets are where new debt instruments are issued on the bond market.

Secondary markets are where existing bonds are traded. None of the 18 emerging markets that implemented QE have reserve currencies. The IMF concluded that QE had lowered bond yields and had not contributed towards currency depreciation. There was no punishment from international investors. "This positive experience may motivate more emerging-market central banks to consider unconventional monetary policy as a big additional part of their policy toolkit, especially where conventional policy space becomes limited" (IMF, 2020: 46).

10.3 MONETARY FINANCING BY THE RESERVE BANK WILL NOT NECESSARILY RESULT IN AN INFLATIONARY SURGE

There are many causes of inflation. It can be due to excess aggregate demand (or spending) that is above an economy's productive capacity. In such cases, there is too much money chasing too few goods and services. Inflation can also be due to supply-side (or cost-push) factors such as Eskom price hikes. The war in Ukraine has resulted in higher energy and food prices. While interest rate increases can reduce aggregate demand, they cannot end the war in Ukraine or reduce energy prices.

In 2021, in South Africa, the under-utilsation of production capacity in the manufacturing sector was 22.4%, primarily due to insufficient demand for the products that companies could produce (Stats SA, 2022d). This means that there was too little money chasing too many goods in the economy – the opposite of what happens when there is demand-pull inflation. If one extends this spare capacity to the R6.1 trillion economy, there could be additional non-inflationary spending of more than R1 trillion. With so much spare capacity in the economy, monetary financing cannot result in an inflationary surge.

All new money - 95% of which is created by commercial banks when they advance new loans – is potentially inflationary. Therefore, it is not clear why public money created by a central bank should be inherently more inflationary than money that is created by commercial banks. Why should commercial banks always have a monopoly on the creation of new money? Also, it is not clear why the government must always borrow money on the bond market – from commercial banks and non-bank financial institutions such as Old Mutual and Sanlam – and not from the Reserve Bank. Why should these profit-making institutions always have a monopoly on lending to the government?

Though there is a fear that central banks could abuse the power to create money, the same applies to commercial banks which caused the global financial crisis (GFC) of 2007 to 2008. There can be institutional mechanisms to ensure that there is no abuse of the power to create money. In practice, Jackson (2013) says this means that that the central bank should have no say over how the money will be used. The government should have no say over how much money will be created. The decisions on how much money to create should be based on an analysis of an economy's productive capacity. If too much money is created, traditional monetary and fiscal policy tools can be used to control inflation. For commercial banks, there are macroprudential policies to prevent the abuse of power.

10.4 A NATIONAL BUDGET DOES NOT OPERATE LIKE A HOUSEHOLD BUDGET.

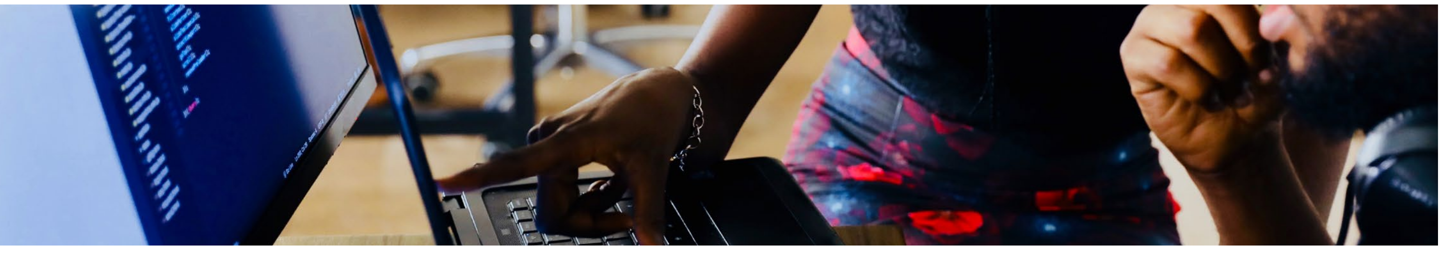
A household has an independence between its spending and its income. If a household discovered that its income (salaries) would decline if it cut spending to balance spending and income it would not consider such an option. It would focus on increasing income (salaries). When the government increases its spending, it increases its income (or GDP) through a multiplier effect. The IMF says the multiplier for infrastructure spending is 2.7 (IMF, 2020a). Such spending can generate the income to pay for itself. When a country cuts its spending, it reduces its income (GDP) – the denominator or bottom part of the debt to GDP ratio - through a negative multiplier effect. The IMF says the negative multiplier is minus 1.5 (Pettifor, 2012). Austerity is a self-defeating policy that results in an increase in the debt to GDP ratio. The sustainable way to reduce a country's debt burden is to grow its economy.

10.5 SOUTH AFRICA'S PUBLIC DEBT IS NOT HIGH BY INTERNATIONAL STANDARDS, EVEN WHEN BENCHMARKED AGAINST OTHER UPPER MIDDLE-INCOME COUNTRIES

Most countries decided to spend their way out of the pandemic-induced crisis of 2020. As a result, the world average debt to GDP ratio increased by 15.6 percentage points to 99.2% of GDP in December 2020 from 83.6% in December 2019. Almost every country had similar shocks to GDP and tax revenues. South Africa's debt ratio increased by 13.1 percentage points to 69.4% in 2020 from 56.3% in 2019. In relative terms South Africa is where it was before the crisis.

At the end of December 2021, the world average debt to GDP ratio was 97%. For advanced economies it was 119.8%. South Africa's debt ratio was 69.1%. By comparison, the average debt ratio for emerging market economies was 66.1%. Asia and Latin America had average debt ratios of 72.9% and 72.4%, respectively. Selected debt ratios for upper middle-income countries were Egypt (93.5%), Brazil (93%), Angola (86.3%), India (86.8%), Croatia (80.6%), Argentina (80.6%), Morocco (76,3%) and China (73.3%).There is no universe in which South Africa has a high debt ratio (IMF, 2022).

At the end of March 2022, South Africa had gross loan debt of R4.3 trillion, which was equivalent to 69.5% of GDP. After subtracting government cash balances of R289 billion, there was net loan debt of R4.1 trillion or 64.9% of GDP. South Africa's interest costs were R268.3 billion, which was 6.2% of gross loan debt. It was also equivalent to 4.3% of GDP and 14.2% of government spending (National Treasury, 2022a). There are three ways to reduce the country's interest burden. First, the government can borrow from the Reserve Bank or the PIC on favourable terms to reduce the average cost of capital. The Reserve Bank can provide monetary financing at no cost. Second, the government must end its austerity measures and implement policies that will grow the economy. This will reduce interest costs as a percentage of GDP and government spending, which tracks the growth of the economy. Finally, the Reserve Bank can implement QE, the purchase of government debt on the secondary market.



10.6 SA INC. IS NOT BROKE. IT HAS A VAST PUBLIC SECTOR BALANCE SHEET

South Africa must look at the entire SA Inc. balance sheet. At the end of March 2022, the gross national debt was R4.3 trillion. The Road Accident Fund had a net asset value of minus R404 billion (National Treasury 2022a). At the end of September 2021, Eskom's debt was R392.1 billion (Eskom, 2022). The other side of the national balance sheet included assets worth R4.3 billion, which comprised assets of the PIC, foreign exchange reserves, state-owned companies (SOCs) and development finance institutions (DFIs). At the end of March 2022, the PIC had assets of R2.6 trillion. This included public sector debt (the government and SOCs) of R797 billion. Between December 2015 and December 2021, the PIC provided additional loans of R209.6 billion to the public sector (SARB 2022a).

At the end of June 2022, the Reserve Bank had gross foreign exchange reserves of R963 billion. With import cover of 8.4 months, this was well above the international benchmark of three months of imports. In 2021, South Africa had monthly imports of R115 billion (SARS, 2022). The country needs foreign exchange reserves of R345 billion to cover imports of three months. Therefore, it had excess foreign exchange reserves of R618 billion at the end of June 2022. At the end of March 2022, the government also had cash balances of R289 billion. In 2021, SOCs (R378.7 billion) and DFIs (R125.2 billion) had a combined net asset value of R503 billion (National Treasury 2022a).

11. FINANCING A FISCAL STIMULUS FOR SOUTH AFRICA

South Africa must implement a fiscal stimulus to increase the GDP growth rate to 6%. Under current policies, the economy will grow by 1.5% a year between 2022 and 2026, according to the IMF. The stimulus should blend consumption and investment spending. Assuming a fiscal multiplier of 1.5 times, closing this gap will require a fiscal stimulus of about 3% of GDP during the first year with its size easing gradually as private consumption and investment spending respond to the higher growth rate. The stimulus will be from the main budget and SOCs which must resume investment spending.

11.1 MONETARY FINANCE

The Reserve Bank can finance government spending directly at no cost. Monetary finance is an umbrella term that refers to a range of proposals – including quantitative easing (QE) for the people, helicopter money, strategic QE and sovereign money creation – that require cooperation between a central bank and the government to provide a direct injection of new money into the real economy that is not financed by the issue of interest-bearing debt. It involves the central bank money creation for public purposes as opposed to commercial bank money creation, which is for profit.

11.2 CENTRAL BANK LENDING

Central Banks can lend directly to the government, DFIs and SOCs on favourable terms without going through the bond market. They can also lend to private companies. The New Development Bank loan to South Africa has a five-year payment holiday until the economy recovers. The IMF loan has a three-year payment holiday. There is no reason why the Reserve Bank cannot provide loans to the public sector with similar terms and at interest rates that are much lower than market-determined rates on the bond market. Central Banks can also purchase government, DFI and SOC bonds on market-determined terms in the primary market, where new debt instruments are issued.

11.3 QUANTITATIVE EASING

The Reserve Bank can reduce the cost of government borrowing. Quantitative easing (QE) refers to central bank money creation to purchase government and private sector bonds. In advanced countries, QE mostly involved purchases of government bonds on secondary markets, where existing debt instruments are traded. Such purchases increase the price of bonds and reduce their yield or the cost of capital. The Bank could implement a yield curve control policy, as has been practised in countries such as Japan and Australia, where the central bank sets a target for long-term bond yields (the cost of capital) and commits to purchase as many bonds as is required to meet the target.

11.4 EXCESS FOREIGN EXCHANGE RESERVES

At the end of June 2022, South Africa had foreign exchange reserves of R963 billion – well above the R345 billion required to meet an international benchmark for import cover of three months. The Reserve Bank can release 50% of foreign exchange reserves - R482 billion - into the economy.

11.5 PUBLIC INVESTMENT CORPORATION LENDING

In March 2022, the PIC had government and SOC bonds worth almost R800 billion. Like the Reserve Bank, the PIC can provide direct lending to the government and SOCs on favourable terms without going through the bond market where it gets market-determined returns. The favourable terms could include a payment holiday until the economy recovers and lower interest rates.

11.6 GOVERNMENT EMPLOYEES PENSION FUND PAYMENT HOLIDAY

There is no need for South Africa to have a fully-funded pension fund for government employees. On this basis, the GEPF has excess funding. It can have a three-year payment holiday, which would provide a modest stimulus to the economy. The government would receive more than R158.4 billion during the period. Workers could receive an extra R86.1 billion.

11.7 RESTRUCTURING THE SA INC. BALANCE SHEET

The Public Investment Corporation (PIC) – the asset manager of the Government Employees Pension Fund (GEPF) and the Unemployment Insurance Fund (UIF) had assets of R2.6 trillion at the end of March 2022. The GEPF accumulated surpluses of R470 billion from 2012-2013 to 2020-2021. This was equivalent to an annual average surplus of R52.2 billion during the period. There is no reason for it to have such surpluses. The surpluses do not benefit workers. The proposal is to reduce PIC assets by 50%. This would allow the PIC to release R1.2 trillion - write off government and SOC bonds of R 800 billon and release cash and shares of more than R400 billion into the economy. After the restructuring, as shown in appendix seven below, the GEPF would still have had an annual surplus of R12 billion in 2020-2021. The Reserve Bank could release 50% of its foreign exchange reserves worth R482 billion.

11.8 INCREASED BORROWING ON THE BOND MARKET

This policy brief proposes that the Reserve Bank and the PIC could provide the bulk of the funding for a fiscal stimulus at no cost or on favourable terms. However, South Africa's level of debt is not high by international standards, even when benchmarked against upper middle income countries . The country can increase its level of borrowing on the bond market.

11.9 HIGHER TAXES

South Africa can increase taxes on idle wealth and high earners that will not impede the fragile recover or reduce the efficacy of the proposed stimulus. Chaterjee et al (2020) estimate that a wealth tax could raise more than R140 billion. Civil society organisations have proposed other taxes on resource rents, financial transactions, carbon emissions and measures to curb illicit financial flows and profit shifting. The government could also raise more funds from reducing corruption.

11.10 PRESCRIBED ASSETS

South Africa also has a deep financial sector with total assets of about R20.6 trillion. This comprised bank assets of R6.7 trillion at the end of December 20201 and non-bank financial assets of R13.9 trillion at the end of September 2021. (SARB 2022a). A social compact with a 10% target for impact or developmental investments could raise more than R1 trillion within the next five years.

APPENDIX ONE: THE ALTERNATIVE SIX PILLAR POLICY SCENARIO

1. MACROECONOMIC POLICY REFORMS

– to enhance economic growth and support the other policy pillars.

The key features of this pillar are:

- The Reserve Bank gets a dual mandate to target economic growth of 6% and inflation of up to 8%
- The government and state-owned companies increase investment in infrastructure by 10% a year
- Government final consumption expenditure (goods and services) increases by 10.5% a year
- The Reserve Bank lowers interest rates and introduces measures to increase the annual growth of credit extension to the private sector to 15%.

2. SOCIAL POLICY REFORMS

- add new measures to social security and public works programmes

- Government will increase the size of the expanded public works programme (EPWP) and make public works the employer of last resort for the unskilled unemployed in South Africa. By 2030 the EPWP would provide temporary work opportunities for all unskilled unemployed workers. The daily remuneration rate of R160 will remain and increase by 6% a year
- The government will provide a grant of R1 000 a month to the skilled unemployed who are not students and do not receive another grant
- Extend the R500 a month Covid caregivers grant and provide it to the family member that takes care of a child who receives a child support or care dependency grant. The programme would allocate one caregiver grant per family

3. MICROECONOMIC POLICY REFORMS

- refers to the supply side measures proposed by National Treasury (2019) to increase the competitiveness of the South African economy, especially network industries – electricity, transport, telecommunications and water. Adelzadeh et al (2021) gave the proposals the benefit of the doubt and assumed that they would have the macroeconomic impacts that National Treasury had predicted. However, National Treasury's optimistic modelling had shown that the reforms would have a marginal impact on the economy and only create 1 million jobs by 2030.

4. TRADE AND INDUSTRIAL POLICY REFORMS

- refers to the DTIC's trade and industrial policies. The assumptions were that:

- Industrial financing measures would result in an annual addition of investments worth R10 billion (in 2010 prices) in the manufacturing sector until 2030
- Special economic zones (SEZs) and African integration programmes would result in an increase in exports of 1.5% a year after 2021
- Proudly South Africa and other localisation programmes would succeed in gradually reducing economic sectors' import dependency by 20% over the next 10 years
- Inter-departmental measures succeeded in increasing labour intensity of sectors over the next decade

5. DOMESTIC AND INTERNATIONAL PRIVATE SECTOR SUPPORT

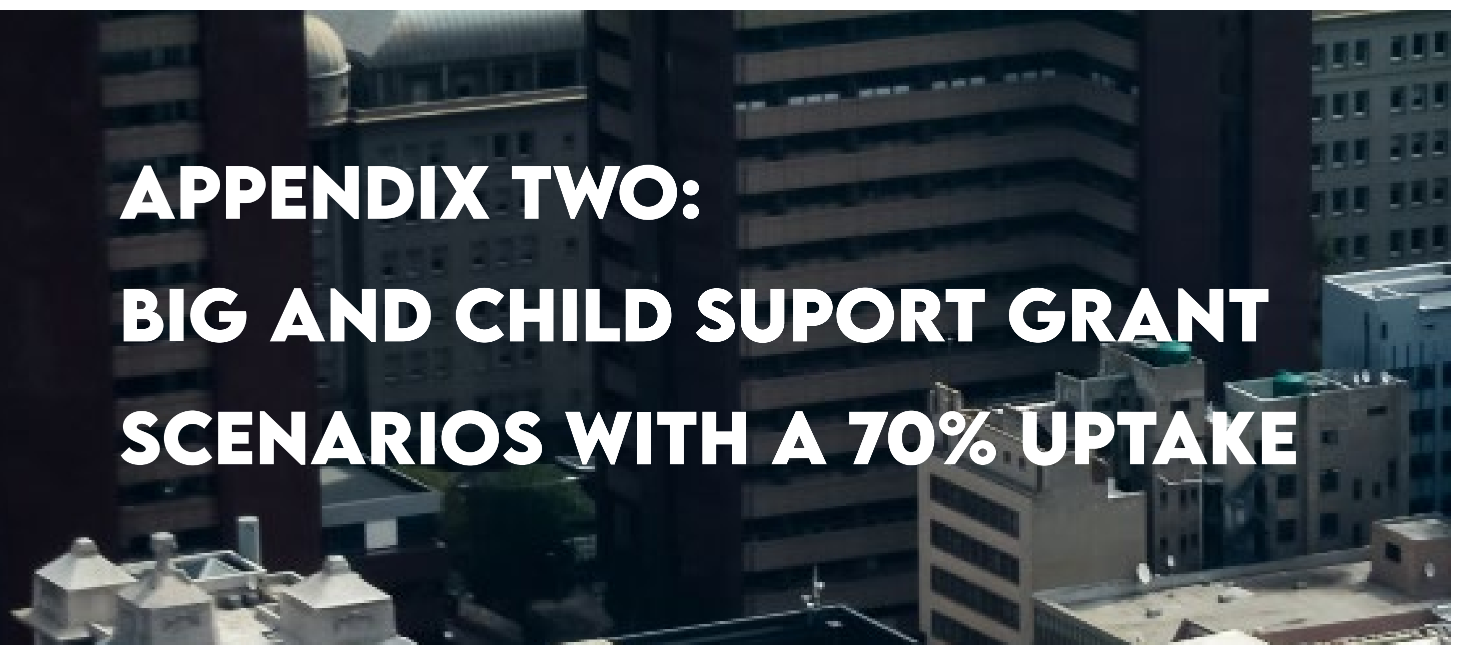
– refers to private sector measures to increase domestic and foreign investment in the economy

- The Public-Private Growth Initiative (PPGI) manages to increase investment in manufacturing by R500 billion over the next 10 years.
- The Public Investment Corporation (PIC) invests R100 billion in manufacturing over five years – between 2021 and 2025
- There is a gradual increase in Foreign Direct Investment to 2.5% of GDP from 1%
- Imports increase by 8% a year.

6. PROVINCIAL GROWTH AND DEVELOPMENT PLANS

- – refers to Gauteng's medium term plan Growing Gauteng Together 2030 (GGT 2030) that includes 160 interventions and its impact, which include:
- Increasing Gauteng's output by 0.5% a year
- Increasing Gauteng's exports to Africa by an additional 0.5% a year
- Increasing investment in agriculture, food, electricity, water, construction, transportation and communications by 0.5%

		2023-2024 **FPL (Rbn)** **R655pm**	**2024-2025** **LBPL (Rbn)** **R982pm**	**2025-2026** **UBPL** **R1 546 pm**
1	*Gross Cost BIG with 70% uptake*	*194.9*	*295.8*	*473.1*
2	*Gross Cost of CSG*	*106.9*	*163.8*	*261.6*
3	***Total***	***301.8***	***459.6***	***734.7***
4	*Clawback from taxpayers*	*(41.7)*	*(62.5)*	*(98.3)*
5	*CSG (Budgeted spending)*	*(80.7)*	*(84.3)*	*(88.6)*
6	*Net Cost CSG (2-5)*	*26.2*	*79.5*	*173.0*
7	***Net Cost BIG and CSG***	***179.4***	***312.8***	***547.8***
8	*Stimulus 1.0*	*179.4*	*133.4*	*235.0*
9	*Stimulus 1.5*	*269.1*	*200.1*	*352.5*
10	***Cumulative Stimulus 1.5***	***269.1***	***469.2***	***821.7***

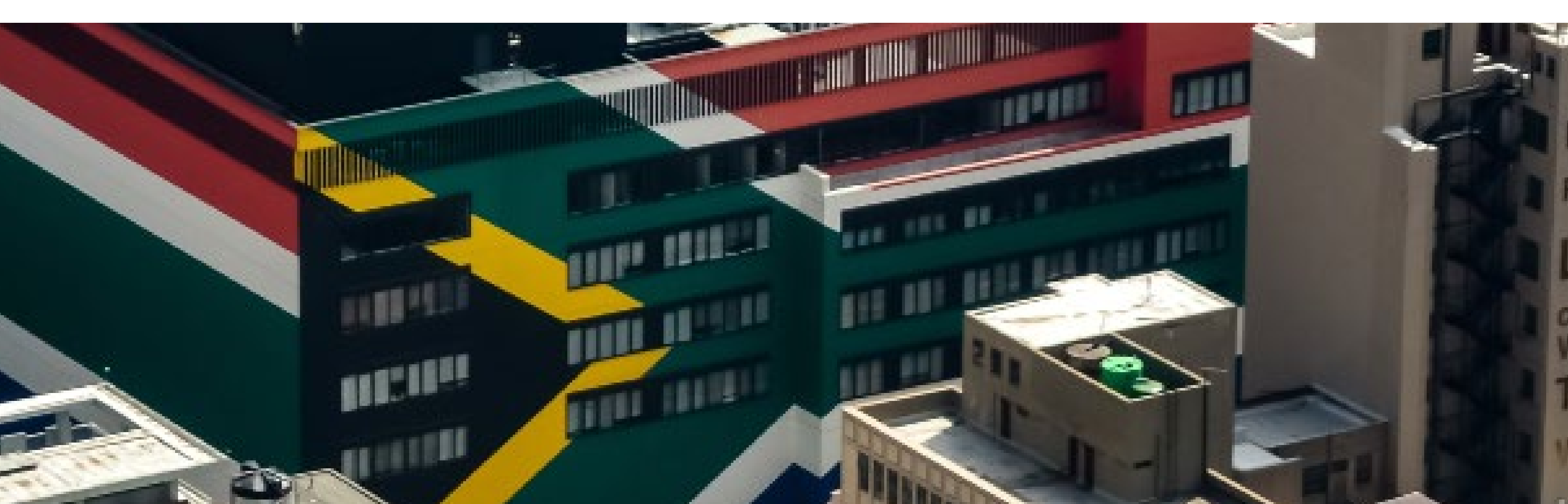


APPENDIX TWO: BIG AND CHILD SUPORT GRANT SCENARIOS WITH A 70% UPTAKE

1. BIG AND CHILD SUPPORT GRANT (CSG) SCENARIOS

Notes:

- Stats SA publishes its national poverty lines in July each year. The fiscal year starts in March. The projections above are based on an annual 5% price escalation using the preceding year's estimated poverty lines.
- The gross cost calculations are based on Stats SA projections of population aged 18 – 59 of: 35.4 million in 2023; 35.9 million in 2024; and 36.4 million in 2023. Therefore, with a 70% uptake, there will be 24.8 million beneficiaries in 2023; 25.1 million beneficiaries in 2024; and 25.5 million beneficiaries in 2025.
- The clawback calculations are based on 70% of 7.6 million taxpayers (5.3 million people) who are above the income tax threshold as per National Treasury (2022). There are no projections.
- The gross cost of the CSG – or extending the BIG to children - is based on an assumption of 13.6 million beneficiaries in 2023-2024 and 13.9 million beneficiaries in 2024-2025 as per the 2022 Budget Review. The 14.1 million beneficiaries used for the 2025-2026 calculation is an estimate or projection.
- The R88.6 billion budgeted CSG spending for 2025-2026 is a projection that is based on a 5% escalation



2. FINANCING OF THE BIG AND CSG

2.1. Financing a BIG and CSG with a stimulus (multiplier) of 1.0

		2023-2024 FPL (Rbn) R655 pm	2024-2025 LBPL (Rbn) R982 pm	2025-2026 UBPL (Rbn) R 1 546pm
1	*Gross cost 70% uptake plus CSG net cost*	*221.1*	*375.3*	*646.1*
2	*VAT @ 12%*	*(26.5)*	*(45.0)*	*(77.5)*
3	*Clawback from taxpayers*	*(41.7)*	*(62.5)*	*(98.3)*
4	*Increase in tax revenue (Stimulus effect)*	*(46.3)*	*(86.2)*	*(154.5)*
5	*Total Financing (2, 3 & 4)*	*(114.5)*	*(193.7)*	*(330.3)*
6	*Interest payments*	*11.8*	*21.0*	*36.7*
7	*Net financing*	*102.7*	*172.7*	*293.6*
8	***Net financing as % of gross cost***	***46.4***	***46.0***	***45.4***
9	***Net cost (1 - 7)***	***118.4***	***155.2***	***352.5***

2.2. Financing with a BIG and CSG with a stimulus (multiplier) of 1.5

		2023-2024 FPL (Rbn) R655pm	2024-2025 LBPL (Rbn) R982pm	2025-2026 UBPL (Rbn) R 1546pm
1	*Gross cost 70% uptake plus CSG net cost*	*221.1*	*375.3.*	*646.1*
2	*VAT @ 12%*	*(26.5)*	*(45.0)*	*(77.5)*
3	*Clawback from taxpayers*	*(41.7)*	*(62.5)*	*(98.3)*
4	*Increase in tax revenue (Stimulus effect)*	*(70.3)*	*(124.6)*	*(223.8)*
5	*Total Financing (2, 3 & 4)*	*(138.5)*	*(232.1)*	*(399.6)*
6	*Interest payments*	*11.8*	*21.0*	*36.7*
7	*Net financing*	*126.7*	*211.1*	*362.9*
8	***Net financing as % of gross cost***	***57.3***	***56.2***	***56.2***
9	***Net cost (1 - 7)***	***94.4***	***164.2***	***283.2***

3. BIG AND CSG STIMULUS (MULTIPLIER) SCENARIOS

	2023-2024	2024-2025	2025-2026
BIG and CSG Stimulus 1.0 (Rbn)	*179.4*	*133.4*	*235.0*
BIG and CSG Stimulus 1.0 (%)	*2.6*	*1.8*	*3.1*
BIG and CSG Stimulus 1.5 (Rbn)	*269.1*	*200.1*	*352.5*
BIG and CSG stimulus 1.5 (%)	*4.0*	*2.8*	*4.6*

4. GDP SCENARIOS WITH BIG AND CSG

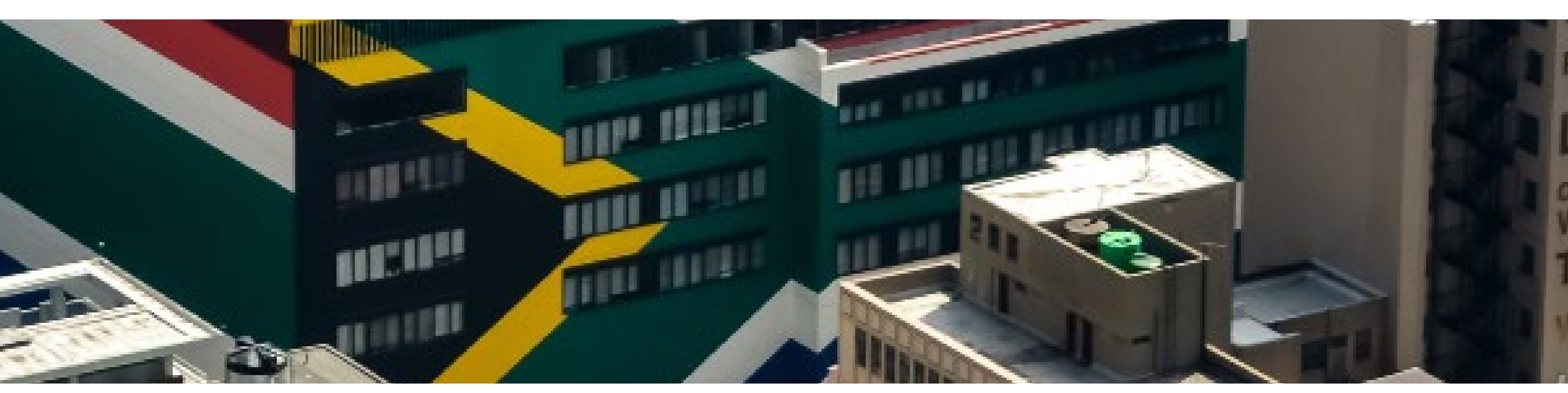
	2022-2023	2023-2024	2024-2025	2025-2026
GDP without BIG (Rm)	*6 441.3*	*6 805.3*	*7 233.7*	*7 689.4*
GDP growth without BIG (Nominal, %)		*5.7*	*6.3*	*6.3*
GDP with BIG and CSG 1.0 (Rm)	*6 441.3*	*6 984.7*	*7 367.1*	*7 924.4*
GDP growth with BIG 1.0 (Nominal, %)		*8.4*	*8.3*	*9.4*
GDP with BIG 1.5 (Rm)	*6 441.3*	*7 074.4*	*7 433.8*	*8 041.9*
GDP growth with BIG 1.5 (Nominal, %)		*9.8*	*9.2*	*11.2*

5. DEBT SERVICE WITH BIG AND CSG

	2023-2024 (Rbn)	2024-2025 (Rbn)	2025-2026 (Rbn)
BIG and CSG (Rbn)	*179.4*	*312.8*	*547.8*
Debt service (interest) cost (Rbn)	*11.8*	*21.0*	*36.7*
TOTAL	***191.2***	***333.8***	***584.5***
Debt service (interest) cost (%)	***6.6***	***6.7***	***6.7***

6. DEBT SCENARIOS WITH BIG AND CSG

	2022-2023 (Rm)	2023-2024 (Rm)	2024-2025 (Rm)
Debt without BIG (Rm)	*4 692.2*	*5 065.6*	*5 429.3*
Debt to GDP without BIG (%)	*72.8*	*74.4*	*75.1*
Debt with BIG 1.0 (Rm)		*5 256.8*	*5 763.1*
Debt to GDP with BIG 1.0 (%)		*75.3*	*78.2*
Debt with BIG 1.5 (Rm)		*5 256.8*	*5 763.1*
Debt to GDP with BIG 1.5 (%)		*74.3*	*77.5*



7. TAX REVENUE GROWTH WITH A BIG AND CSG STIMULUS

7.1. Tax Revenue Growth without BIG as per 2022 Budget Review – 2025/2026 projection as per 2024/2025 GDP Growth and Tax Buoyancy

	2022-2023	2023-2024	2024-2025	2025-2026
Gross Tax Revenue (Rm)	*1 598.4*	*1 694.3*	*1 807.6*	*1 928.7*
GDP Growth (Nominal, %)		*5.7*	*6.3*	*6.3*
Tax buoyancy		*1.06*	*1.06*	*1.06*
Increase (%)		*6.0*	*6.7*	*6.7*

7.2. Tax Revenue Growth with a BIG and CSG stimulus of 1.0

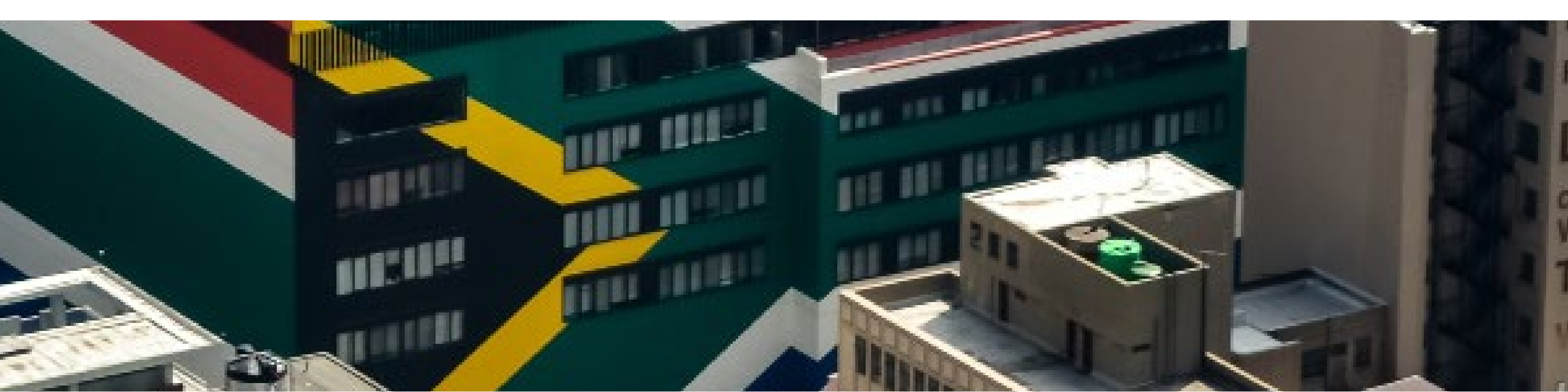
	2022-2023 (Rm)	2023-2024 (Rm)	2024-2025 (Rm)	2025-2026
Gross Tax Revenue (Rm)	*1 598.4*	*1 740.6*	*1 893.8*	*2 083.2*
GDP Growth (Nominal, %)		*8.4*	*8.3*	*9.4*
Tax Buoyancy		*1.06*	*1.06*	*1.06*
Increase In Tax Revenue (%)		*8.9*	*8.8*	*10.0*
Increase in Tax Revenue (Rm)		***46.3***	***86.2***	***154.5***

7.3. Tax Revenue Growth with a BIG stimulus of 1.5

	2022-2023 (Rm)	2023-2024 (Rm)	2024-2025 (Rm)	2025-2026
Gross Tax Revenue (Rm)	*1 598.4*	*1 764.6*	*1 932.2*	*2 152.5*
GDP Growth (Nominal, %)		*9.8*	*9.2*	*11.2*
Tax Buoyancy		*1.06*	*1.06*	*1.06*
Increase in Tax Revenue (%)		*10.4*	*9.5*	*11.4*
Increase in Tax Revenue (Rm)		***70.3***	***124.6***	***223.8***

Note:

The above scenarios project the 2024/2025 GDP growth and tax buoyancy estimates to the 2025/2026 to generate three year forecasts.



APPENDIX THREE: UNEMPLOYMENT SCENARIOS

1. Status Quo until 2030

	December 2021	December 2030	Difference	Annual Average
Labour Force	27 073	33 515	6 442	716
Employment	14 544	16 541	1 997	222
Unemployed	12 529	16 974	4 445	494
Unemployment Rate	46.2	50.6		

Assumptions:

Indlulamithi scenario of GDP Growth of 1.8% a year between 2020 and 2030

Labour force growth of 2.4% a year, slightly less than the pre-Covid average between December 2013 and December 2019

Employment multiplier of 0.8

2. High Growth of 6% until 2030

	December 2021	December 2030	Difference	Annual Average
Labour Force	27 073	33 515	6 442	716
Employment	14 544	22 179	7 635	848
Unemployed	12 529	11 336	1 193	133
Unemployment Rate	46.2	33.8		

Assumptions:

GDP Growth of 6% a year between 2021 and 2030

Labour force growth of 2.4% a year, slightly less than the pre-Covid average between 2014 and 2019

Employment multiplier of 0.8

3. High Growth of 6% until 2035 without industrial policies

	December 2021	December 2035	Difference	Annual Average
Labour Force	27 073	37 222	10 149	725
Employment	14 544	28 038	13 494	963
Unemployed	12 529	9 184	3 345	
Unemployment Rate	46.2	24.7		

Assumptions:

GDP Growth of 6% a year between 2022 and 2035

Labour force growth of 2.3% a year, slightly less than the pre-Covid average between 2014 and 2019

Average employment multiplier of 0.8

4. High Growth of 6% until 2035 with Industrial Policies

	December 2021	December 2035	Difference	Annual Average
Labour Force	27 073	37 222	10 149	725
Employment	14 544	32 882	18 338	1 310
Unemployed	12 529	4 340	8 189	
Unemployment Rate	46.2	11.7		

Assumptions:

GDP Growth of 6% a year between 2022 and 2035

Labour force growth of 2.3% a year, slightly less than the pre-Covid average between 2014 and 2019

Average employment multiplier of 1

5. High Growth of 6% until 2035 with industrial policies

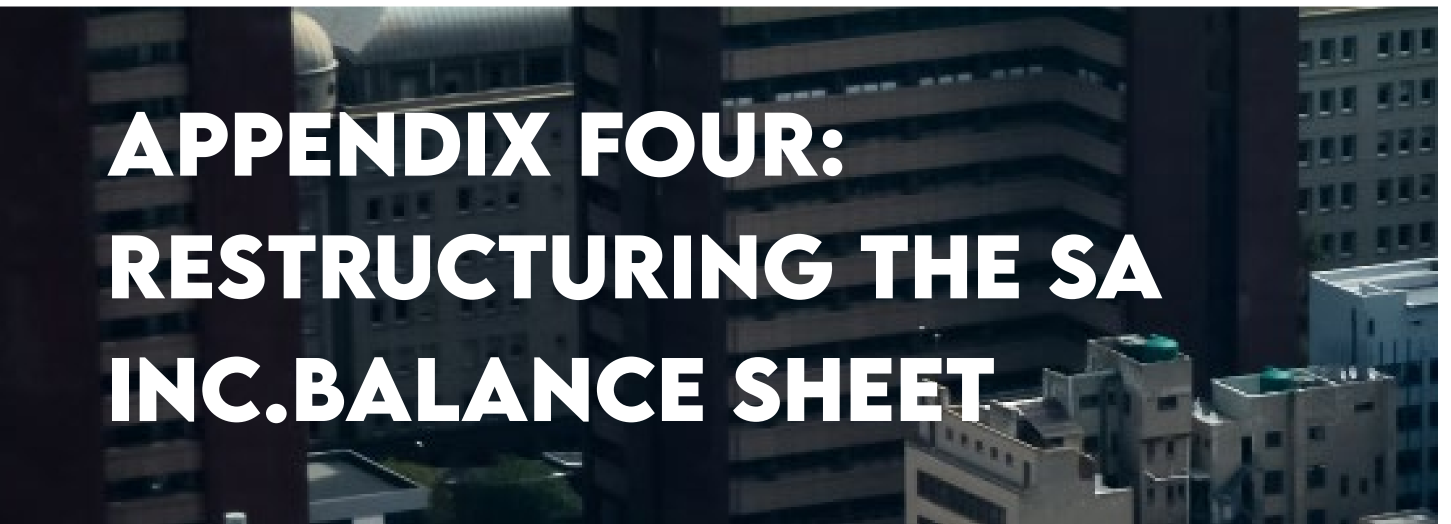
	December 2021	December 2035	Difference	Annual Average
Labour Force	27 073	37 222	10 149	725
Employment	14 544	35 586	21 042	1 503
Unemployed	12 529	1 636	1 193	
Unemployment Rate	46.2	4.4		

Assumptions:

GDP Growth of 6% a year between 2022 and 2035

Labour force growth of 2.3% a year, slightly less than the pre-Covid average between 2014 and 2019

Average employment multiplier of 1.1



APPENDIX FOUR: RESTRUCTURING THE SA INC.BALANCE SHEET

South Africa can restructure the SA Inc. balance sheet, specifically assets worth R3.6 trillion – R2.6 trillion at the PIC at the end of March 2022 and foreign exchange reserves worth R963 billion at the Reserve Bank at the end of June 2022. The PIC is the asset manager of the Government Employees Pension Fund (GEPF) and the Unemployment Insurance Fund (UIF), which account for 94.2% of its assets (PIC 2022). The PIC's assets are way in excess of what is required to pay public sector pensions and unemployment benefits. Table 1 below shows that the GEPF accumulated surpluses of R470 billion – an annual average of R52.2 billion - from 2012-2013 and 2020-21. Table 2 shows a scenario where the GEPF earns only 50% of its investment income after a restructuring of the SA inc. balance sheet. It would still have had an annual surplus of R12 billion in 2020/21. During the three-year MTEF period until 2024-2025 the UIF will accumulate an annual average surplus of R16.7 billion, according to National Treasury. There is no need for the GEPF and the UIF to have such surpluses.

According to the latest actuarial valuation on 31 March 2021, the GEPF had assets of R2 trillion and a funding level of 110%. The GEPF trustees have a targeted minimum funding level is 90%. This is the trustees' best estimate. In reality, the fund could outperform or underperform the trustees' projection. "The 90% funding level is what we should focus on," a trustee says. Therefore, the GEPF has excess funding of R372.3 billion above this target (GEPF, 2022). At the end of March 2022, the UIF had net assets of R82.8 billion, after paying R58 billion to people who were temporarily unemployed after the lockdown in 2020 under the Temporary Employer/Employee Relief Scheme. The UIF's net asset value will increase to R132.9 billion by 2024-2025. The proposal is that there could be a R1.6 trillion restructuring of the SA Inc. balance sheet. The PIC could release 50% of its assets worth about R1.2 trillion into the economy. This would include writing off public sector debt of R800 billion. Assuming government debt of R500 billion, this would reduce the debt to GDP ratio for 2022-2023 to 65.1% from a projected 72.8%. The Reserve Bank could also release 50% of its foreign exchange reserves worth about R482 billion.

1 Public Investment Corporation

There are two ways to fund pensions schemes – through tax revenues (pay-as-you-go) or through accumulated funds or savings invested in financial markets (pre-funding). Private sector pension funds are pre-funded because a company can go bankrupt and have to pay all employee pensions on the same day. The GEPF is fully funded. But there is no scenario in which the government could close shop and have to pay the pensions of 1.3 million public servants on

the same day. There will always be teachers, nurses and police officers to make contributions to the fund. Therefore, in the OECD most pension funds for state employees operate on a PAYG basis or with partial funding (Ponds et al, 2011). There are also two ways of designing pension schemes. In a defined benefit scheme, the pension benefits are specified upfront and are not related to the value of a member's contributions or the performance of a fund. In a defined contribution scheme, the pension benefits depend on the value of the member's contributions and the performance of a fund.

The GEPF is a defined benefit scheme. Pension benefits are guaranteed – based on years of service and final salary – and are not dependent on investment returns or the level of employer and employee contributions. Workers do not benefit or make losses if the value of the assets in the PIC increase or decrease. As former finance minister Trevor Manuel pointed out in an interview with Today's Trustee in 2005: "Given that the GEPF is a defined benefit fund, it would be inappropriate to consider any returns accruing from such investments to be benefitting the beneficiaries. This is simply because the pension benefits are predetermined. Such investments are essential to the extent that the employer (government) is able to meet its obligations to employees." This means that the PIC's assets belong to the government and not the workers. The PIC is the government's means of financing its obligation to pay the pensions of public sector employees. There is no evidence that a promise to pay that has the backing of financial assets is stronger than one that is only backed by employer and employee contributions to a fund. Nicholas Barr, an expert on pensions policy, says: "I know that I will need to buy food for the rest of my life, but I do not accumulate a food fund. I intend to pay groceries out of future earnings."

Until 2013, employer and employee contributions to the GEPF were sufficient to pay all pensioners. There was no need for a fund. Since then, there has been an increase in the number of pensioners and improved benefits for them. But between 2013 and 2021, the fund accumulated surpluses of R470 billion – about R52 billion a year as is shown in Table 1 below. This level of funding is obscene in a country that has such high levels of unemployment, poverty and inequality. There is no need for such surpluses. The decisions on whether to pre-fund pension obligations to public sector employees and the level of funding, are political decisions.

1.2 Foreign Exchange Reserves

Balakrishnan et al. (2016) note that central banks hold foreign exchange reserves to shield their economies against external shocks. "In many respects, these large stocks of foreign exchange reserves represent idle resources. There are real costs associated with diverting resources towards the accumulation of foreign exchange reserves, instead of using them to finance economic development. It is important to question whether such safeguards could be secured in other ways, in which case idle reserves could be mobilised for the realisation of rights. Explicit restrictions on short term capital inflows and outflows, often called capital controls, represent one alternative to the accumulation of foreign currency reserves." Mbeng Mezui and Duru (2013) found that African countries had excess foreign exchange reserves of between $165.5bn and $193.6bn on average per year between 2000 and 2011. This was more than the continent's infrastructure financing gap of $93bn a year. The social cost of holding these excess reserves was up to 1.65% of GDP on average. "Therefore, there may be room for creating investment vehicles for holding a part of assets as less liquid, higher-yielding wealth. This objective can be met through setting up appropriate investment vehicles to supplement the existing development partners, private and public sectors."

Table 1: Scenario One (Status Quo)

	2012/13	*2013/14*	*2014/15*	*2015/16*	*2016/17*	*2017/18*	*2018/19*	*2019/20*	*2020/21*
Revenue									
Employee Contributions	30.8	33.5	36.1	38.6	42.1	45.3	48.7	51.7	52.8
Employer Contributions	17.1	18.7	20.3	21.7	23.4	25.1	26.9	28.6	28.7
Total Contributions	**47.9**	**52.2**	**56.4**	**60.3**	**65.5**	**70.4**	**75.6**	**80.3**	**81.5**
Investment Income	55.0	57.7	64.1	73.4	73.7	77.3	84.8	88.6	82.1
Total Revenue	102.9	109.9.	120.5	133.7	139.2	147.7	160.4	168.9	163.6
Total Expenditure	43.2	57.9	85.8	83.1	88.3	94.9	102.5	110.5	110.6
Surplus	**59.7**	**52.0**	**34.7**	**50.6**	**50.9**	**52.8**	**57.9**	**58.4**	**53.0**
Contributions - Expenditure	**4.7**	**(5.7)**	**(29.4)**	**(22.8)**	**(22.8)**	**(24.5)**	**(26.9)**	**(30.2)**	**(29.1)**

Table 2: Scenario Two (50% investment income)

	2012/13	*2013/14*	*2014/15*	*2015/16*	*2016/17*	*2017/18*	*2018/19*	*2019/20*	*2020/21*
Revenue									
Employee Contributions	30.8	33.5	36.1	38.6	42.1	45.3	48.7	51.7	52.8
Employer Contributions	17.1	18.7	20.3	21.7	23.4	25.1	26.9	28.6	28.7
Total Contributions	**47.9**	**52.2**	**56.4**	**60.3**	**65.5**	**70.4**	**75.6**	**80.3**	**81.5**
Investment Income	27.5	28.9	32.1	36.7	36.9	38.7	42.4	44.3	41.1
Total Revenue	75.4	81.1	88.5	97.0	102.4	109.1	118.0	124.6	122.6
Total Expenditure	43.2	57.9	85.8	83.1	88.3	94.9	102.5	110.5	110.6
Surplus	32.2	23.2	(0.3)	13.9	14.1	14.2	15.5	14.1	12.0

Source: National Treasury Budget Reviews 2021 and 2022

REFERENCES:

Amsden, AH (1989) Asia's Next Giant: South Korea and Late Industrialisation. Oxford University Press

Andersen, J (2006) China's True Growth: No Myth or Miracle. Far Eastern Economic Review

Applied Development Research Solutions (2021) South Africa's Post-Covid Policy choices 2021-2030, Presentation, 16 July 2021. Available at: https://adrs-global.com/static/?subject=resources

Auditor-General of South Africa (AGSA) (2021) Consolidated General Report on National and Provincial Audit Outcomes. Available at: https://www.agsa.co.za/Reporting/PFMAReports/PFMA2020-2021.aspx

Balakrishnan, R, Heintz, J and Elson, D (2016) Rethinking Economic Policy for Social Justice: The Radical Potential of Human Rights, Routledge

Banking Association of South Africa (BASA) (2021). Transformation Report 2020. Available at: https://www.banking.org.za/reports/

Banking Association of South Africa (BASA) (2021) June Covid-19 Loan Guarantee Scheme Update. Available at: https://www.banking.org.za/news/june-covid-19-loan-guarantee-scheme-update/

Barro, L and Jong-Wha, L (2013) A New Dataset of Educational Attainment in the World, 1950 -2010. Available at: http://www.barrolee.com/

Battistoni, A (2021) Jobs Guarantee or Universal Basic Income? Why Not Both?, In These Times website Available at: https://inthesetimes.com/features/universal-basic-income-federal-jobs-guarantee-climate-change-inequality.htm

Blecher, M, Kollipara, A, Mansvelder, Daven, J, Maharaj, Y and Gaarekwe, O (2017) in South African Health Review 2017 (25-39). Health Systems Trust. Available at: https://www.hst.org.za/publications/Pages/HSTSouthAfricanHealthReview.aspx

British Petroleum (BP) (2020) Statistical Review of World Energy 2020, 69th Edition Available at: https://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy.html

Business Times (2022) SA's Green Transition to Cost More than R1 trillion by 2030. Available at: https://www.businesslive.co.za/bt/business-and-economy/2022-05-01-sas-green-transition-to-cost-more-than-r1-trillion-by-2030/

Capp G (2012) Victim of its own success? The Platinum Mining Industry and the Apartheid Mineral Property System in South Africa's Political Transition, Centre for African Studies, University of Cape Town.

Centre for Economic Development and Transformation (CEDT) (2017) South African Mining at the Crossroads

Centre for Environmental Rights (CER) (2019) Full Disclosure Report 5

Available at:
https://fulldisclosure.cer.org.za/2019/emitters/emitters-and-emissions

Chang, HJ (2010) How to 'do' a Developmental State: Political, Organisational and Human Resource Requirements for the Developmental State in Edigheji, O (ed) Constructing a Democratic Developmental State in South Africa (82-96). HSRC Press.

Chatterjee, A, L Czajka, and A Gethin (2020), "Estimating the distribution of household wealth in South Africa", WID.world Working Paper 2020/06.
Available at: https://wid.world/fr/news-article/how-unequal-is-the-wealth-distribution-in-south-africa-2/

Coe, D and Pettifor, A (2016) Spending Away Debt. Prime.
Available at: https://www.primeeconomics.org/publications/spending-away-debt/

Council for Medical Schemes (CMS) (2021) Annual Report 2020/21. Available at: https://www.medicalschemes.co.za/publications/#2009-2010-wpfd-annual-reports

Department of Basic Education (DBE) (2021) General Household Survey Focus on Schooling 2019, March 2021. Available at: https://www.education.gov.za/Portals/0/Documents/Reports/General%20Household%20Survey%20(GHS)%20Focus%20on%20Schooling%202019.pdf?ver=2021-06-24-081609-793

Department of Basic Education (DBE) (2022) School Realities 2021, January 2022. Available at: https://www.education.gov.za/Programmes/EMIS/StatisticalPublications.aspx

Department of Economic Development (2010) The New Growth Path: The Framework. Available at: https://www.gov.za/sites/default/files/NGP%20Framework%20for%20public%20release%20FINAL_1.pdf

Department of Finance (1996) Growth, Employment and Redistribution. A Macroeconomic Strategy. Available at: http://www.treasury.gov.za/publications/other/gear/chapters.pdf

DOH (Department of Health) (2020) 2030 Human Resources for Health Strategy
Available at: https://www.gov.za/documents/human-resources-health-south-africa-hrh-strategy-health-sector-201213-201617

Department of Public Works and Infrastructure (DPWI) (2019) EPWP Phase IV Business Plan: 2019-2024. Pretoria. Available at: http://www.epwp.gov.za/mon&evaluation.html

Department of Social Development (DSD) (2020) Expert Panel Report on Basic Income Support. Available at: https://www.dsd.gov.za/index.php/documents?task=download.send&id=356&catid=58&m=0

Eskom (2022) Eskom Condensed Group Interim Financial Statements for the Six Months ended 30 September 2021. Available at: https://www.eskom.co.za/investors/integrated-results/

Evans, P (1995) Embedded Autonomy. States and Industrial Transformation. Princeton University Press.

Fine B and Rustomjee Z (1996) The Political Economy of South Africa: From Mineral Energy Complex to Industrialisation, C. Hurst & Co (Publishers)

Government Employees Pension Fund (2021) Government Employees Pension Fund Statutory Actuarial Valuation as at 31 March 2021. Prepared by Alexander Forbes Financial Services and African Origins Actuarial Solutions, November 2021. Available at: https://www.gepf.co.za/evaluation-report/

Gqubule, D (2020) Email Correspondence with Carol Otto at Strate, 23 June 2020

Gqubule, D (2021a) Black Economic Empowerment Transaction in South Africa After 1994. Southern Centre for Inequality Studies. SCIS Working Paper Number 19. Available at: https://www.wits.ac.za/media/wits-university/faculties-and-schools/commerce-law-and-management/research-entities/scis/documents/BEE%20Transactions%20in%20SA%20after%201994.pdf

Gqubule, D (2021b) We Need to Talk About Making Tertiary Education Free, New Frame, 24 August 2021. Available at: https://www.newframe.com/we-need-to-talk-about-making-tertiary-education-free/

Gqubule, D (2022) A Basic Income Guarantee for a Better South Africa, Social Policy Initiative (SPI)

Hassen, E and Altman M (2010) "Public Service Employment and Job Creation in South Africa" Human Science Research Council, Centre for Employment and Growth

Hassen, E (2017) Public Service Employment in South Africa: Explanations and Scenarios, prepared for the Employment Promotion Programme

Holden, P (2021a) Part One: What Gupta Enterprise Corruption Cost South Africa, Daily Maverick, 27 June, 2021. Available at: https://www.dailymaverick.co.za/article/2021-06-27-part-one-what-gupta-enterprise-corruption-cost-south-africa/

Holden, P (2021b) Part Two: How Much the Gupta Enterprise Earned, Daily Maverick, 28 June, 2021. Available at: https://www.dailymaverick.co.za/article/2021-06-28-part-two-how-much-the-gupta-enterprise-earned/

Holden, P (2021c) Part Three: The Local and International Laundries used by the Gupta Enterprises and its Associates, Daily Maverick, 29 June, 2021. Available at: https://www.dailymaverick.co.za/article/2021-06-29-part-three-the-local-and-international-laundries-used-by-the-gupta-enterprise-and-its-associates/

Indlulamithi (2021) South Africa Scenarios 2030
Available at: https://sascenarios2030.co.za/scenarios-documents/

Industrial Development Corporation (IDC) (2021) integrated Annual Report 2021
Available at: https://www.idc.co.za/financial-results/

Institute for Economic Justice (IEJ) (2021) "Introducing a Universal Basic Income Guarantee for South Africa: Towards Income Security for All," IEJ Policy Brief, March 2021
Available at: https://www.iej.org.za/introducing-a-universal-basic-income-guarantee-for-south-africa/

International Labour Organisation (ILO) (2022) World Employment and Social Outlook: Trends 2022. Geneva. Available at: https://www.ilo.org/global/research/global-reports/weso/trends2022/lang--en/index.htm

International Monetary Fund (IMF) (2020a) Fiscal Monitor: Policies for the Recovery, Washington DC, October
Available at: https://www.imf.org/en/Research

International Monetary Fund (IMF) (2020b) Global Financial Stability Report: Bridge to Recovery, Washington DC, October
Available at: https://www.imf.org/en/Research

International Monetary Fund (IMF) (2021) Fiscal Monitor: A Fair Shot, Washington DC, October
Available at: https://www.imf.org/en/Publications/FM/Issues/2021/03/29/fiscal-monitor-april-2021

International Monetary Fund (IMF) (2022) Fiscal Monitor: Fiscal Policy From Pandemic to War, Washington DC, April 2022.
Available at: https://www.imf.org/en/Publications/FM/Issues/2022/04/12/fiscal-monitor-april-2022

International Monetary Fund (IMF) (2022) 2021 Article IV Consultation – Press Release; Staff Report; and Statement by the Executive Director for South Africa. Available at: https://www.imf.org/en/Publications/CR/Issues/2022/02/10/South-Africa-2021-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-513001

Jackson, A (2013) Sovereign Money. Paving the Way for a Sustainable Recovery. Positive Money. Available at: https://positivemoney.org/2013/11/sovereign-money-paving-the-way-for-a-sustainable-recovery-new-report/

Johnson. C (1982) MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925 – 1975. Stanford University Press.

Kelton (2013) The Layman's Case Against Austerity, New Economic Perspectives website, 4 May, 2013
https://neweconomicperspectives.org/2013/05/the-laymans-case-against-austerity.html

Kelton, S (2020) The Deficit Myth: Modern Monetary Theory and How to Build a Better Economy, John Murray

King, ML (2018) We need an economic bill of rights, The Guardian website
Available at: https://www.theguardian.com/commentisfree/2018/apr/04/martin-luther-king-jr--economic-bill-of-rights

Krugman, P (2015) The Expansionary Austerity Zombie, Quintissential. Available at: https://qeducation.sg/economics-resources/the-expansionary-austerity-zombie

Mbeng Mezui, C and Duru, U (2013) Holding Excess Foreign Exchange Reserves Versus Infrastructure Finance: What Should Africa Do? African Development Bank Group Working Paper Series, No 178 July 2013
Available at: https://ideas.repec.org/p/adb/adbwps/478.html

Minerals Council South Africa (MCSA) (2011) Minerals Council Annual Report 2009/2010, Economic Overview
Available at: https://www.mineralscouncil.org.za/industry-news/publications/annual-reports

Mahathir bin Mohamad (1991) Malaysian: The Way Forward (Vision 2020) Available at: https://policy.asiapacificenergy.org/sites/default/files/vision%202020.pdf

Makhasi, Y (2022) State of the Public Service, presentation to the Public Sector Summit, 28 March, 2022

Muller. S (2021) South Africa's Employment Tax Incentive is not a Success Story, the Conversation, 29 September, 2021. Available at: https://theconversation.com/south-africas-employment-tax-incentive-is-not-a-success-story-168124

National Agricultural Marketing Council (NAMC) (2019) Status Report on Statutory Measures Implemented in Terms of the Agricultural Products Act, Act No. 47 of 1996. 2019 Survey. Pretoria

National Empowerment Fund (NEF) (2021) Integrated Report 2021. Available at: https://www.nefcorp.co.za/annual-reports/intergrated-report-2021/

National Labour and Economic Development (Nedlac) (2003) Growth and Development Summit Agreement. Available at: https://sarpn.org/documents/d0000370/P355_Nedlac_Agreement.pdf

National Treasury (2015) Budget Review 2015. Pretoria: National Treasury.
Available at: http://www.treasury.gov.za/documents/national%20budget/2015/default.aspx

National Treasury (2016) Budget Review 2016. Pretoria: National Treasury.
Available at: http://www.treasury.gov.za/documents/national%20budget/2016/default.aspx

National Treasury (2017) Budget Review 2017. Pretoria: National Treasury.
Available at: http://www.treasury.gov.za/documents/national%20budget/2017/default.aspx

National Treasury (2018) Budget Review 2018. Pretoria: National Treasury.
Available at: http://www.treasury.gov.za/documents/national%20budget/2018/default.aspx

National Treasury (2019a) Economic transformation, inclusive growth, and competitiveness:
Towards an Economic Strategy for South Africa. Pretoria: National Treasury. Available at at:
http://www.treasury.gov.za/comm_media/press/2019/towards%20an%20economic%20strategy%20for%20sa.pdf

National Treasury (2019b) Budget Review 2019. Pretoria: National Treasury.
Available at: http://www.treasury.gov.za/documents/national%20budget/2019/default.aspx

National Treasury (2020a) Budget Review 2020. Pretoria: National Treasury.
Available at: http://www.treasury.gov.za/documents/national%20budget/2020/default.aspx

National Treasury (2020b) Supplementary Budget Review 2020. Pretoria: National Treasury.

Available at: http://www.treasury.gov.za/documents/national%20budget/2020S/default.aspx

National Treasury (2021) Budget Review 2021. Pretoria: National Treasury.
Available at: http://www.treasury.gov.za/documents/national%20budget/2021/default.aspx

National Treasury (2022a) Budget Review 2022. Pretoria: National Treasury. Available at:
http://www.treasury.gov.za/documents/national%20budget/2022/default.aspx

National Treasury (2022b) Budget 2022 Estimates of National Expenditure. Pretoria: National Treasury. Available at: http://www.treasury.gov.za/documents/national%20budget/2022/default.aspx

National Treasury (2022c) Jobs Fund Newsletter, March 2022. Available at: http://www.jobsfund.org.za/news.aspx

OECD (2021), Education at a Glance 2021: OECD Indicators, OECD Publishing, Paris, Available at: https://doi.org/10.1787/b35a14e5-en

Orthofer, A (2016) Wealth Inequality in SA: Evidence from Survey and Tax Data, REDI 3 3 Working Paper 15, June 2016
Available at: http://www.econ3x3.org/user/578

Parliamentary Monitoring Group (PMG) (1999) Implementation of Job Summit Agreement: Briefing. Available at: https://pmg.org.za/committee-meeting/3894/

Pettifor, A (2012) 'The IMF and the End of Austerity, Huffington Post, 24 October 2012
Available at: https://www.huffingtonpost.co.uk/ann-pettifor/imf-austerity-_b_2004700.html

Pettifor A (2021) Reclaiming Central Banks, Project Syndicate website, 21 September, 2021. Available at:
https://www.project-syndicate.org/onpoint/central-banks-favoring-private-capital-over-democratic-climate-goals-by-ann-pettifor-1-2021-09

Polterovich, V and Popov, V (2003) Accumulation of Foreign Exchange Reserves and Long Term Growth. Munich Personal RePEc Archive.

Ponds et al (2011) "Funding in Public Sector Pensions Plans: International Evidence," OECD Working Papers on Finance, Insurance and Private Pensions, No 8, OECD Publishing
Available at: http://www.oecd.org/finance/private-pensions/47827915.pdf.

Public Investment Corporation (PIC) (2022) PIC Integrated Annual Report 2021. Available at: https://www.pic.gov.za/pic/media/publications

Raworth (2018) Doughnut Economics. Seven ways to Think like a 21st Century Economist. Random House Business

Republic of South Africa (RSA) (2018) Presidential Jobs Summit Framework Agreement, 4 0ctober, 2018. Available at:

https://www.gov.za/sites/default/files/gcis_documents/Jobs_Summit_FrameWork_Agreement.pdf

Rodrik, D (2016) The Elusive Promise of Structural Reform: The Trillion-Euro Misunderstanding. Milken Institute Review 2016. Available at: https://www.hks.harvard.edu/publications/elusive-promise-structural-reform-trillion-euro-misunderstanding

Sachs M (2020) The Fiscal Dimension of South Africa's Crisis, University of Witwatersrand, Southern Centre for Inequality Studies Working Paper 5, October 2020
Available at: https://www.polity.org.za/article/fiscal-dimensions-of-south-africas-crisis-2020-10-27

Small Enterprise Finance Agency (SEFA) (2021) Annual Report FY 2020/21. Available at: https://www.sefa.org.za/publications?category=annual%20reports

South African Nursing Council (SANC) (2022) SANC Geographical Distribution 2020: Provincial Distribution of Nursing Manpower versus the Population of South Africa – 2020. Available at: http://ncsacoms.co.za/wp-content/uploads/2021/04/Distribution-2020.htm

South African Reserve Bank (SARB) (2022a) Full Quarterly Bulletin – No 303 – March 2020. Available at: https://www.resbank.co.za/en/home/publications/publication-detail-pages/quarterly-bulletins/quarterly-bulletin-publications/2022/FullQuarterlyBulletinNo303March2022

South African Reserve Bank (SARB) (2022b) Online Statistical Query. Available at: https://www.resbank.co.za/en/home/what-we-do/statistics/releases/online-statistical-query

KBP Codes: GDP per capita (6270); government final consumption spending (6008); public investment by general government (6100); public investment by public corporations (6100); gross fixed capital formation (6009); gross domestic product (6006) predominant prime lending rate (1403)

South African Revenue Service (SARS) (2022) Cumulative Bilateral Trade by Country 2021. Available at: https://www.sars.gov.za/customs-and-excise/trade-statistics/reports/

Spaull, N, Lilenstein, A and Carel, D (2020) The Race Between Teacher Wages and the Budget: The Case of South Africa 2008 – 2018. Available at: https://resep.sun.ac.za/the-race-between-teacher-wages-and-the-budget/

Statistics South Africa (Stats SA) (2000) P0317 – October Household Survey 1999
Statistics South Africa (Stats SA) Publication
Available at: http://www.statssa.gov.za/?page_id=1854&PPN=P0317

Statistics South Africa (Stats SA) (2009) Labour Force Survey Historical Revision Series 2000 to 2007
http://www.statssa.gov.za/publications/P0210/P02102007.pdf.

Statistics South Africa (2019) Inequality Trends in South Africa: A Multidimensional Diagnostic of Inequality
Available at: http://www.statssa.gov.za/?p=12930

Statistics South Africa (Stats SA) (2020) Excel spreadsheet 'Labour Force Series September 2000 – September 2007' in new Quarterly Labour Force Series format generated by Statistics South Africa, email correspondence from Malerato Mosiane, 8 January 2020

Statistics South Africa (Stats SA) (2021) General Household Survey 2020. Available at: http://www.statssa.gov.za/publications/P0318/GHS%202020%20Presentation%202-Dec-21.pdf

Statistics South Africa (Stats SA) (2022a) P0211 Quarterly Labour Force Survey (QLFS) Quarter 2: 2022, Statistics South Africa (Stats SA) Publication. Available at: at: https://www.statssa.gov.za/?page_id=1854&PPN=P0211&SCH=73290

Statistics South Africa (Stats SA) (2022b) 'QLFS Trends 2008 – 2021 Q4' Statistics South Africa (Stats SA) Excel spreadsheet. Available at: at: https://www.statssa.gov.za/?page_id=1854&PPN=P0211

Statistics South Africa (Stats SA) (2022c) P0441 Gross Domestic Product, Fourth Quarter 2021, Statistics South Africa (Stats SA) Publication. Available at: https://www.statssa.gov.za/?page_id=1854&PPN=P0441

Statistics South Africa (Stats SA) (2022d) Manufacturing: Utilisation of Production Capacity by Large Enterprises (Preliminary). February 2022. Available at: https://www.statssa.gov.za/?page_id=1854&PPN=P3043&SCH=73086

Tcherneva (2007) What are the relative merits and environmental impacts of direct job creation and basic income guarantees? The Levy Institute of Bard College Working Paper no. 517
Available at: http://www.levyinstitute.org/publications/what-are-the-relative-macroeconomic-merits-and-environmental-impacts-of-direct-job-creation-and-basic-income-guarantees

The Presidency (2007) Accelerated Shared Growth Initiative of South Africa Annual Report 2007. Available at: https://www.gov.za/sites/default/files/gcis_document/201409/asgisa-2007.pdf

The Presidency (2012) National Development Plan 2030: Our Future – Make it Work. Available at: https://www.gov.za/sites/default/files/gcis_document/201409/ndp-2030-our-future-make-it-workr.pdf

The Presidency (2018) State of the Nation Address 2018. Available at: https://www.thepresidency.gov.za/state-of-the-nation-addresses

The Presidency (2018b) Statement by President Cyril Ramaphosa on economic stimulus and recovery plan. Available at: https://www.thepresidency.gov.za/speeches/statement-president-cyril-ramaphosa-economic-stimulus-and-recovery-plan

The Presidency (2019a) State of the Nation Address 2018. Available at: https://www.thepresidency.gov.za/state-of-the-nation-addresses

The Presidency (2019b) State of the Nation Address 2018. Available at: https://www.thepresidency.gov.za/state-of-the-nation-addresses

The Presidency (2020a) State of the Nation Address 2018. Available at: https://www.thepresidency.gov.za/state-of-the-nation-addresses

The Presidency (2020b) Statement by President Cyril Ramaphosa on further ecconomic and social measures in response to the Covid-19 pandemic. Available at: http://www.thepresidency.gov.za/speeches/statement-president-cyril-ramaphosa-further-economic-and-social-measures-response-covid-19

The Presidency (2020c) Address by President Cyril Ramaphosa to the Joint Sitting of Parliament on South Africa's Economic Reconstruction and Recovery Plan. Available at: https://www.thepresidency.gov.za/speeches/address-president-cyril-ramaphosa-joint-sitting-parliament-south-africa%27s-economic-reconstruction-and-recovery-plan

The Presidency (2022) The Presidential Employment Stimulus Implementation Update – January 2022, Presentation. Available at: https://www.stateofthenation.gov.za/employment-stimulus-dashboard

Unemployment Insurance Fund (UIF) (2021) Email correspondence from Makhosonke Buthelezi dated 14 April 2021:"As of the report of 23 March 2021 we have paid R 58 710 227 721.87 to 5,395,851 employees from 267,428 employers who applied for Covid TERS since April 2020."

Wade. R (2005) Bringing the State Back in: Lesson from East Asia's Development Experience. Available at: https://library.fes.de/pdf-files/id/ipg/02860.pdf

Wave 5 National income Dynamics Study Coronavirus Rapid Mobile Survey (NIDS-CRAM) (2021) Available at: https://cramsurvey.org/reports/#wave-5

Winkler H & Marquard A (2007) Energy Development and Climate Change: Decarbonising Growth in South Africa Available at: https://open.uct.ac.za/handle/11427/16809?show=full

World Bank (2022) Inequality in Southern Africa: An assessment of the South Africa Customs Union. Available at: https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099125303072236903/p1649270c02a1f06b0a3ae02e57eadd7a82

World Bank (2021) International Bank for Reconstruction and Development Program Document for a Proposed Loan in the Amount of US$ 750 million to the Republic of South Africa for the South Africa Covid-19 Response Policy Loan, December 20, 2021. Available at: https://documents.worldbank.org/en/publication/documents-reports/documentdetail/385961640281217498/south-africa-south-africa-covid-19-response-development-policy-operation

Yardeni, E and Quintana, M (2022) Central Banks: Monthly Balance Sheets, Yardeni Research, Inc. Available at: https://www.yardeni.com/

Zalk (2014) Industrial Policy in a Harsh Climate: The Case of South Africa, United Nations Conference on Trade and Development (UNCTAD) and International Labour Organisation (ILO) publication Available at: http://ilo.org/global/publications/books/WCMS_315677/lang--en/index.htm