

**Press  
Release  
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South African Institute of Race Relations  
*The power of ideas*

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**Government needs a dose of #CommonSense – IRR**

The Medium Term Budget Policy Statement (MTBPS) delivered by minister of finance Tito Mboweni shows the depth of the crisis South Africa is in.

Debt has reached unsustainable levels and growth is projected to reach only 0.5% this year, and only 1.7% in 2022. This is far below the level needed to meet the challenge of poverty and unemployment. And this against a backdrop of new unemployment statistics which can only be described as a national emergency, with nearly 30% of South Africans (on the strict definition) not having a job. This is the highest level of unemployment in over a decade.

At the same time, the shortfall in government revenue is R53 billion, four percent lower than originally expected. This is due to a number of factors, but can primarily be attributed to meddling in the tax authority as well as the government's failure to create an environment where businesses can thrive and, in turn, create jobs.

The finance minister also pointed to a continued rise in government debt; within three years, it will reach 70% of GDP.

However, Mr Mboweni, who first threw down the gauntlet when he put forward his economic reform paper (of which a second version now exists), seems to have done so again with his warning that the public sector salary bill must be reduced, as well as the compensation paid at state-owned enterprises (SOEs). He also warned that continued bailouts for the electricity utility were off the table – it remains to be seen whether that will be the case.

The minister's pay freeze on cabinet ministers, premiers, and MECs, along with other austerity measures, are to be welcomed, but they simply do not go far enough. Far more is needed to avert the catastrophe we face. And this will have to include taking some difficult decisions. Imperatives are cutting the public service wage bill, and selling many of the country's SOEs – splitting Eskom into three or finding equity partners for South African Airways is simply not enough. The reaction from the markets showed the depth of the mess we find ourselves in.

The fact of the matter is that government spending is unsustainable. Without major changes being made, the country and its economy will soon fall off the fiscal cliff.

And this is something ordinary South Africans know. As our Reasons for Hope survey found, over three-quarters of South Africans (and 74% of black South Africans) felt that with improved education and higher rates of employment 'inequality between races would disappear'.

This #CommonSense, which is evident in a range of attitudes among the majority of South Africans, is something the government would do well to take on board. The country knows we will not be able to spend our way out of trouble. And if the government tries to, there will be dire consequences for all of us.

The government needs to make some difficult changes – and it could make a start by using some #CommonSense, which, as our research continues to show, ordinary South Africans have in abundance.

**Ends**