Press Release

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South African Institute of Race Relations
The power of ideas

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Nothing to be had if the cupboard is bare

'Old Mother Hubbard', the February edition of *Fast Facts* [[Click here]] from the Centre for Risk Analysis at the IRR, assesses the 2018 Budget, warning that, in the absence of profound changes in economic policy, "Mr Ramaphosa will fail to translate his political success into an economic reformation".

IRR CEO Frans Cronje notes: "Most concerning is the government's medium-term expectation that South Africa's economic growth rate will continue to underperform emerging market averages by more than 50%. Treasury projections are so low that South Africa is even expected to underperform most developed market growth rates".

"A second concern is that government expenditure has reached a record high of over 30% of GDP – a figure higher than when the desperate apartheid government tried to spend its way out of trouble. The inference is that the government believes it can spend more effectively than the private sector and households."

Cronje adds that tax increases and fiscal drag measures "mean that the burden placed on individual households is going to do real damage to the economy".

"South Africa has long reached a point of diminishing returns where tax increases have a severely counter-productive effect on living standards and economic performance.

"As households get squeezed, the poor lose out through depressed economic activity and limited opportunities for employment or advancement."

Cronje says the IRR has long predicted that the sum of these things "is the price the poor and the middle classes will ultimately pay for the misguided ideologies and counter-productive policies of the past decade".

If Mr Ramaphosa hopes to "translate his political success into an economic reformation", the government will have to

- deregulate the labour market to price poor people into jobs
- recast empowerment policy to address actual socio-economic disadvantage
- sell the bulk of parastatals
- guarantee secure property rights

Ends.