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Mboweni: the discipline paradox

Dr Morne Mostert, director of the Institute for Futures Research (IFR), a strategic advisory unit at Stellenbosch University, comments on the mid-term budget speech of newly appointed Minister of Finance, Tito Mboweni.

Minister Mboweni brought stature to a role under severe scrutiny as he delivered his MTBPS within a severely volatile economic climate. He presents as calm and rational – the perfect persona for the markets and the rating agencies. The mature tenor of his analysis is likely to bring much needed stability. The dilemma is that, while stability supersedes volatility, what is urgently required is disruptive growth. So while gravitas and a steady hand create calm in most "normal" economies, in the abnormally unequal and tumultuous economy of South Africa, "no tax increase", maintaining the expenditure ceiling and providing no extra funding for unbudgeted public sector wage increases are damp squib incentives for investment.

Futurists allow for a spectrum of future possibilities and, therefore, hesitate to make predictions. But, given the context of South Africa, based on what is termed the "current future, 24 months from today . . .

Poverty is likely to be worse for most people. Not because of Mboweni or any intrinsic South African characteristic, but because of the slow molasses of economic malaise generated under the Zuma administration, the true scale of which is only now emerging. To eradicate both financial and emotional poverty require much more radical and innovative economic incentives.

Inequality will therefore also worsen. Not because of white monopoly capital, or because of any brutal exploitation of workers by business, but because dependents per family income will deteriorate as population growth continues to exceed economic progress, while those with capital will at least gain inflationary interest and those already employed are more likely to remain so. Civil servants will benefit from a wage agreement which, in the absence of extra funding, is likely to lead to a greater number of vacancies and therefore even weaker service delivery, coupled with in-fighting at lower levels, as civil servants scramble for the dwindling resources and promotion opportunities.


Dr Morne Mostert

Unemployment, especially for young people, will deteriorate. Not because business is ill-willed or unwilling to employ people, but because those with access to capital are simply less likely to risk expansion. And the consequences are systemic.

Foreign direct investment drainage will persist with no flagrant capital outflows, but the taps will continue to flow in the wrong direction. And once it has left, the allure of an investment destination must double to reverse the exit decision.

One of the key opportunities is to establish a greater connection among business, government and academia. Public-private partnerships, in which government shares some of the risk, coupled with government guarantees for large infrastructure projects promised by Ramaphosa, may offer some incentive for investment. Government spending on professional services must be redirected to South African universities in order to fund much needed higher education research output, and as a means of securing greater academic integrity on government research. Academic research can produce the kind of innovation and new knowledge now essential for the future of South Africa.

So even as Mboweni embodies discipline and signifies stability, the economy destabilises. What South Africa needs is the deep paradox of stable innovation.