

**A RECKLESS SHOT AT THE CENTRAL BANK OF SOUTH AFRICA BY THE PUBLIC PROTECTOR SPELLS ECONOMIC DISASTER FOR THE COUNTRY AMIDST A RECESSION AND RATINGS DOWN GRADES: MORE KICKS FOR THE ECONOMY AND SOUTH AFRICA IN TURMOIL**

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**Abstract**

*This paper delves into the perplexing issue as captured in the title of the paper. The announcement by the Public Protector will further dampen the economy of South Africa. It will lead to further economic downgrades by the ratings agencies in an era of recession, very high employment, and rising inflation. The issue straddles the reckless shot at the Central Bank by the Public Protector, pushing for change in the Bank's role, which saw the rand fall by two percent and has deteriorated even further to trade at R13.50 to the US dollar. She has called for a revision of the Reserve Bank's constitutional mandate. The Public Protector charged that protecting the value of the rand, to a focus on the protection of 'citizens' socio – economic wellbeing is cardinal to South Africa's development. The question arises – Is she doing this at the bidding of the ruling ANC and, supporting the misguided notion of radical economic transformation of the economy, propounded by the President of the country and the African National Congress, given the failure of the ruling ANC government to bring about coordinated development after 23 years of South African democracy. The paper will therefore look at this issue and, elaborate on the possible devastating effects upon an already compromised economy and the, effects upon the general population. In adding to the narrative, the policy documents of the ANC were critiqued very briefly, in order to show the paranoia that exists within the ruling ANC government, which is aimed at hanging on to power at all costs and, not serving the people of the Republic of South Africa.*

**Key Words:** *Central Bank; Economy; Public Protector; Ratings Downgrades; Policies.*

**JEL Classification:** G21, G10

**I. INTRODUCTION**

There are several aspects of Public Protector Mkhwebane's report on the Bankorp / Absa lifeboat that are of grave concern. The most serious of these is her implicit criticism of the role of the reserve bank, both as a lender of last resort and as a custodian of monetary policy. In criticizing the bail - out and arguing that this was money that rightfully belonged to the people of South Africa, she appears to be questioning whether the Bank should have got involved at all in saving Bankorp. But protecting the stability of the financial system is one of the things that central banks do and, if the woes of a troubled bank are deemed to pose a risk to the banking system as a whole, it is appropriate to step in. Bail – outs should be directed towards protecting deposit holders rather than shareholders, who in the event of a bank failure should be the ones to take the hit. Assistance must be transparent. This did not happen in the case of Bankorp, which is one reason several investigations led by judges have found that the lifeboat was illicit. The Public Protector's proposal of how the Bank's mandate should be revised betrays a disturbing misunderstanding of what it is that central banks can and cannot do.

Business day (2017: 6) points out that "Section 224 of the Constitution says that the primary object of the Reserve Bank is to protect the value of the currency in the interest of balanced and sustainable growth." Her suggestion is that the clause should rather read: "The primary object of the Reserve Bank is to promote balanced and sustainable growth \_ \_ \_ whilst ensuring that the socioeconomic wellbeing of citizens is protected" (Public Protector, SABC Television Services, Prime Time News, June 20, 2017). Nowhere in her version is the Bank's crucial role in combatting inflation so as to make sure the rand in people's pockets maintain their value. This is what monetary policy is supposed to do, and while it can support economic growth, it cannot create it. These are reckless political statements and broadsides aimed at the Bank. In the post - apartheid period; the Bank, when acting as lender of last resort, has done so transparently and, in the interests of stability. Interest – rate decisions

once the subject of heated exchanges between the African National Congresses' left wing allies and the government, are hardly controversial anymore. For the Public Protector to create controversy and, to storm in at this juncture can only be viewed as a political act in the wider context, on a sustained attack by corrupt business people and their political cronies, on the Treasury and, on South Africa's financial regulatory framework. None of this is to say that there wasn't something wrong with the Bankorp / Absa bail – out.

Apart from the Ciex report, undertaken by bounty hunter Michael Oatley in the early 90's, the government commissioned two other investigations into the matter. This was after it was agreed that Oatley, a former British spy who did the work in return for a 10 percent bounty on what was to be recovered, was not someone the government trusted. Former President Thabo Mbeki commissioned Judge William Heath; the former central bank governor Tito Mboweni commissioned an investigation by Judge Denis Davis. Both found the bail – out was illicit. Instead of protecting depositors, it protected shareholders. It was also extended support over a long period, before Bankorp was finally bought by Absa. Judge Heath concluded at that time that, to attempt to recover the money from Absa would pose a systemic risk to the banking system. Davis concluded that as the main shareholder of Bankorp had been Sanlam, (A huge insurance and investment company) and that, Absa had paid fair value, the real beneficiary of the bail – out was Sanlam. But as Sanlam had not yet demutualized, Davis concluded that to attempt to recover the money from policyholders was not realistic" (Business Day Editorial, 2017: 6).

This is the reality, and the Public Protector appears to be entering the political terrain and is therefore, calling the bidding of the President of the country, and his cronies within the ANC. She has clearly overreached her mandate as the custodian of a Chapter 9 institution and, therefore, compromises the duties and the mandate of this institution. She decidedly ignored both these reports and based on her own report, the Ciex report. Her motive can only be guessed at. This is setting a very dangerous precedent for her office and will in the long run have devastating effects on the economy of South Africa, if banks will be nationalized and asked to change their founding mandates.

#### **Protector Pushes for Change in Bank's Role**

In an astounding move, the Public Protector of South Africa on Monday the 19 June, 2017 recommended that the Reserve Bank's constitutional mandate be changed from protecting the value of the rand, to a focus on the protection of 'citizens' socioeconomic wellbeing. The announcement sent the rand into a tailspin against the dollar. Tampering with the mandate of the central bank is viewed extremely negatively. With multiple downgrades by the rating agencies to nearly junk status of the South African economy, the recent recessionary climate that the country entered into, with rising unemployment, the rhetoric of radical economic transformation, the very high debt levels and a host of other economic variables, investors will shun South Africa and is therefore, a threat to investment security. Her statements are highly controversial and add to the economic woes of a beleaguered economy. Business Day (2017: 1) states that "The Public Protector's main finding in her report was the government's failure to recover apartheid - era funds extended to Bankorp and, therefore, the government and the Bank had not protected the public interest between 1985 and 1991, and has referred the matter to the Special Investigation Unit to recover funds from Absa of R1.25 billion. Astoundingly and beyond her mandate she also instructed Parliament, and the justice and correctional services portfolio committee chairman, to initiate a process that would lead to a change in the constitutional mandate of the Reserve Bank." She clearly went beyond her mandate by instructing Parliament that South African banks should be nationalized and, also monetary currency and that, state banks should be created and that, such a debate must reach its conclusion by the people of South Africa.

Her comments come amid a sustained attack by the ruling party and some of its ardent supporters on constitutionally mandated institutions. The Reserve Bank and Absa have indicated that her report will be taken on review. Pierre de Vos a renowned Constitutional expert and Professor from the University of Cape Town said, that "Remedial action sought was unlawful. The Public Protector cannot instruct Parliament to amend the Constitution. Not even the Constitutional Court can do that. Only the National Assembly could amend the Constitution, and needed a two – thirds majority" (Business Day, 2017: 1). Commentators are in agreement that her statements are populist rhetoric that appeals to those who have failed to put their fingers in the Reserve Bank and, via the endemic corruption that has characterized the Jacob Zuma government, want to control the Reserve Bank for their own purposes, not because they have an interest in growing the economy. Lumkile Mondi (In Business Day, 2017) states that "The Banks existing inflation targeting policy already helped to protect the poor and smooth economic cycles. The reserve Bank made every effort to ensure the poor did not experience a continual rise in inflation. Social development is the duty of the Department of Social Development and this can only be achieved if the economy is growing." One does not look at monetary policy to drive real economic transformation and therefore, the Public Protector is out of kilter in her analysis.

The Public Protector in her analysis indicates that "The conduct of the South African government and the South African Reserve Bank goes against the ethos laid out in the preamble of the constitution and, section 195 of the constitution in respect of redressing social injustices and promoting efficiency. The conduct of

government and the Bank constituted improper conduct and maladministration. She has urged the President to reopen the presidential proclamation R47 of 1998, in order to recover the misappropriated public funds unlawfully given to Absa bank” (The Mercury, 2017: 2). It is mindboggling that the public Protector who is herself an advocate, did not factor into the equation, prior to releasing her report that the “Role of the Reserve Bank is constitutionally determined and the terms were worked out very carefully by government and, the Reserve Bank. Upon the release of the Public Protectors report, the rand fell to R13 and is now trading at R13.50 to the US dollar (Business Report, 2017: 1). This does not augur well for the economy.

### **Public Protector Supports Finance Ministers Advisor**

The public Protectors view on the Reserve Bank is closely aligned to the controversial advisor to the current Finance Minister (Chris Malikane), who advocates the creation of a state bank with the unrestrained ability to create money. He is known for his radical views, reports Carol Paton and Sunita Menon (2017: 2). Both of them suggest that abandoning the Bank’s role as a lender of last resort, as it benefits only the financial sector, and does not improve the socioeconomic conditions of ordinary citizens and state that, there would be no need for the central bank to play the role of last – resort lender, “If the state took control of creating money and credit. This would alleviate the economic ills of the economically disadvantaged people” (In Carol Paton and Sunita Menon, 2017).

The bank on the 20 June said according to Paton and Menon (2017: 2) “That it would take the report on review and that the Public Protector had overstepped her authority. The Governor of the Reserve Bank hit back by stating that the Banks mandate ensured sustainable economic growth and added that, the scrapping of the inflation target and, the suggestion that the role of lender of last resort be abandoned, has caused jitters at the Bank and in the market. He was surprised at the largest Trade Union’s Support (Cosatu) for the recommendations of the Public Protector.”

### **More Kicks to a Fallen Economy**

Just before the statements by the Public Protector and the Mining Charters release, the rand was hitting new highs, despite the recent downgrades to South Africa’s credit rating. The downgrades could not have come in a better global environment that was the theory. Risk – on international investors have been pouring money into higher – yielding emerging market debt, including markets with pretty dodgy politics and questionable institutions. South Africa continued to look reasonably robust, despite the downgrades, and the political noise, and the cash was coming into debt instruments, even if the international investors were not willing to commit much to equities or to longer – term direct investments in new projects. But there is only so much a currency can take, even in a favourable global environment. This is due to South Africa’s idiosyncratic events of the past couple of weeks, has done nothing for the currency, which has now gone weaker than R13 to the dollar again. In the midst of all the policy drama, the release of the Reserve Bank Quarterly Bulletin provided a sobering dose of reality. Many of the numbers were already known because Statistics South Africa, which now calculates both the production side GDP and the expenditure side GDP had already reported that South Africa was officially in recession as of the first quarter. “The quarterly bulletin also showed that the balance of payments figures showed a deficit on the current account and that, at 2.1 percent was worse than the 1.7 percent in the fourth quarter of 2016 and, worse than most in the market had expected. That could have driven the rand even weaker but, given the stream of political bad news, it is hard to tell” (Business Day Editorial, 2017: 6 and Business Report (2017: 1). “The trade surplus widened marginally from R56 billion in the fourth quarter of last year to R57 billion. The broadly unchanged trade surplus occurred alongside a widening of the shortfall in the services, income and current transfer account, from R132 billion to R149 Billion in the first quarter of this year. The inflation outlook looks bleak and has peaked.” (Business Report, 2017).

A few years ago South Africa’s high current account deficit was one of the factors that made its currency one of the fragile five among emerging markets. Now, the deficit is down to much less risky levels, which means South Africa needs that much less in the way of foreign capital inflows to finance it. That seems like good news, but in practice, the lower deficit is as much a product of the weakness of the economy as anything else. Imports have come down because investors are not investing and consumers do not have the means to spend. There is also no cheer for exports, even though the prices of South African exports have been improving. It was only because of better prices that the trade part of the current account was in surplus, which helped to offset a decline in foreign dividend inflows and, thus keep the current account deficit from weakening even more. But in volume terms, South Africa exported less. That meant that net exports, exports minus imports, were a big negative for the first – quarter GDP, which was hit too by a sizeable decline in household spending as well, as a fall in government spending. According to the Business Day Editorial (2017: 6) “All the recent surveys and indices’ are pointing to ultra - weak investor confidence as well as weak consumer confidence and, it is quite possible that the second quarter could be another negative. This is not an economy that is anything like robust enough to take the kind of hammering South Africa’s political leadership is inflicting on it.

### **Public Protector Speech Bizarre**

Kabelo Khumalo (2017: 17) reports that “As the criticism of Public Protector Busisiwe Mkhwebane’s proposal to change the mandate of the South African Reserve Bank mounted, Ratings Agency Standard and Poor’s Global Ratings warned against the meddling with the central bank’s independence. We would consider it critical that the operational independence of the Reserve Bank remains untouched lest we would see weakening policy flexibility in monetary affairs. Depending on the severity of the changes, a rating action could indeed be one consequence said Standard and Poor.” There is therefore, no doubt that “The role and independence of the Reserve Bank is critical in maintaining what little certainty remains in our fragile economy” said Banking Association of South Africa managing director (In Khumalo, 2017). If this occurs the Public Protector together with government will make the Bank subservient to government, effectively attempting to nationalize the banking sector and, promote governmental goals, rather than sustainable economic growth to the benefit of all South Africans.

Rand losses have sunk the Johannesburg Stock Exchange (JSE) according to Reuters, (2017: 19). “The unit fell on the 21 June and traded at R13.09 to the dollar. It fell as much as 1.6 percent and Standard and Poor’s Global Ratings said that South Africa’s rating could be cut deeper into junk territory. Stocks weakened on the bourse, weighed down by resource shares that have fallen since the government raised the minimum threshold for black ownership of mining companies. The benchmark JSE Top 40 index fell 0.91 percent and the all share index dropped 0.9 percent. Harmony Gold lost 6.2 percent to R20.68 and Impala Platinum retreated 6.18 percent to R34.15, Anglo American lost 3.11 percent to R158. 78.” In reality the JSE bled and is still bleeding. The situation is dire and bleak for South Africa because the government is hell bent on destroying the country by its policy uncertainty and, totally maverick behaviour couched in unnecessary toxic political rhetoric and unreasoned actions.

### **Public Protectors Report Irrational**

Maake (2017: 1) says that the Public Protectors Report according to Absa was “Irrational and cherry – picked from previous investigations. It further added that that she effectively ignored or misunderstood Absa’s detailed submissions, which were made on two occasions. In a media release on Wednesday the 21 June, the bank set out what it saw as the bones of contention, mainly around how the public protector’s findings and remedial actions relating to Absa were based on the conclusions of the Davis panel of experts constituted to look into the Bankorp rescue. According to Maake (2017:1) the Public Protectors spokesperson has said that “They were at liberty to take the report on review. However, remedial action will have binding effect until set aside by the court of law and according to Absa, in the case of the Davis panel, the public protector’s final report misrepresents or misconstrues its findings and concluded that the manner in which assistance was provided to Bankorp was unlawful. Absa added that she did not explain why her office accepted parts of the Davis report, but not others. In this respect the Public Protector’s report appears irrational.” In a democracy Absa are within their legal rights to get a ruling on the matter and thus put these allegations to bed once and for all. On the other hand, it is a known fact that former Governor of the Reserve Bank Chris Stals, who served both the apartheid and democratic governments, as Governor of the Reserve Bank, contends that, the public protector’s office relied on the alleged testimony of Stals in a provisional report leaked in January. It is contended that Stals was said to have testified that loans were given to Bankorp at an interest rate of 16 percent and that, there was a contract to prove this. According to Maake (2017: 2) “The alleged testimony of Stals and the document he was said to have produced are conspicuously absent from the final report Absa said. In the final report this basis is abandoned and instead it selectively relies on a report Absa said, and in her report this basis is abandoned and instead it selectively relies on a report that in any case found that Absa is not liable (Maake and Hanna Ziady, 2017: 1- 2).

### **What’s Behind the Public Protector’s Smoke Screen?**

The public protector has started a wildfire by pursuing a R1.2 billion bailout and a change in the country’s constitution. The question arises, why? Her recommendations in her report are provocative. In this regard Alan Hirsh (2017: 9) states that “There should be a new investigation by the country’s elite investigation team to the obligations of one of South Africa’s largest banks, Absa, to pay back the considerable sum. Absa was formed in 1991 following the amalgamation of eight banks, including Bankorp. Absa was later acquired by Barclays and currently trades as Barclays Africa. Essentially this means calling on Barclays Africa to pay for the sins of one of its distant ancestors. Even more provocatively, she called for changes to the South African Reserve Bank’s remit and her report calls for changes in the country’s constitution in order to make this possible.”

There are two quite complex issues. Does Absa still owe the state or the people funds deriving from the lifeboat issued to Bankorp in the late apartheid era? And is the constitutional framework for the central bank appropriate? The context for the report is an economy punch drunk from endless political infighting, where levels of trust between business and government are abysmal, and ratings are plummeting. Amid all the turmoil, is the country’s Reserve Bank, one of the few core economic institutions still intact and remains un - captured. In these circumstances one cannot help ask the question: Why is the public protector reopening a case which has

been thoroughly investigated? And why is it presuming the right to rewrite the constitutional mandate of the South African Reserve Bank? The issue has bounced in and out of the headlines over the past 30 years.

Alan Hirsh (2017: 9) points out that “How this matter relates to the proposed constitutional amendment is something the public protector would have to explain very slowly and carefully. The link is not obvious... it is also not at all obvious that it is appropriate for the public protector to instruct Parliament to change the constitution. It seems extremely peculiar and beyond the mandate of the office, although constitutional experts rather than economists would be better placed to comment definitely.” Nevertheless, the constitutional proposal of the public protector raises, or resurrects, an interesting question: Is the constitutional mandate of the Bank appropriate? The most contentious change proposed by her, is that clause 224 (1) of the constitution be amended (Has been explained elsewhere in the paper). The proposed change is inappropriate, not because it introduces the socioeconomic well – being of the citizens into the mandate, but because it removes any reference to the responsibility of the central bank in regard to the value of the currency. In this regard Alan Hirsch (2017:9) says that in “My 2005 book, *Season of Hope*, I also raised concerns about the absence in the constitutional mandate of the bank of the reference to the welfare of the people. After all, even the mandate of the US’s Federal Reserve Bank places the value of the currency and maximum employment as its twin responsibilities. It could be argued that even without this clause, the South African Reserve Bank has occasionally acted as if, it has a social mandate. But the public protector’s proposal to drop any reference to monetary stability would be extreme, utterly unconventional, and hopelessly foolish.”

As a bundle of proposals, the public protector’s findings have created a great stir. It is hard to imagine that the public protector actually saw these proposals as viable. The cynical amongst us might be to speculate that the ignition of such a grass fire is a wonderful way to deflect attention from pertinent state capture issues, and to implicitly support the radical economic transformation version of white monopoly capital, as a recent and new found vision of the ANC’s, and a few of its predatory black capitalist elites, and its acolytes spurred on by the ANC Youth League and other ANC formations, misguided notions of transformation of the South African economy after 23 years of ANC misrule and maladministration.

#### **Deputy President Urges Caution and Calls for Inclusive Growth**

The Deputy President of the country Cyril Ramaphosa warned that “The governing party should not be reckless in its management of the economy and not drive it to the ground by factionalism, the radical economic transformation narrative and the endemic corruption that permeates the state. That there has to be inclusive growth for the benefit of all South Africans and not to enrich a few and certain families in South Africa” reports Natasha Marrian (2017: 3). He spoke at Western Cape’s ABNC’s provincial policy conference in Stellenbosch. Ramaphosa, who is contesting the position of president at the ANC’s elective conference in December of 2017, has been accused by Zuma allies of being aligned to white monopoly capitalism and, to wanting to maintain the status quo in economic relations. In his address the Deputy President again took a hard line against corruption and poor leadership. All of this, he said coupled with, the recent downgrades and the recession will have a negative impact on the poor. In other words, the authors posit that the radical economic transformation narrative of the ANC is but a poor cousin of the inclusive growth strategy that was propounded by the fired but, competent and respected Finance Minister Pravin Gordhan.

#### **Politics the Cause of New Economic Meltdown**

Low growth rates, budget deficits and rising unemployment are alarming prospects facing the country, amidst volatile political rhetoric of radical economic transformation by the ANC and, reckless statements by many within the bureaucracy, Chapter 9 institutions and the inefficient and corrupt state – owned enterprises. It is obvious as this narrative has pointed out within the discussion that the outlook of the economy hinges crucially on its politics. The answer turns in large part according to Hilary Joffe (2017:7) “It turns in large part on how businesses and consumers react to the series of dramatic events that have unfolded since the end of the first quarter. It is in this second quarter that the battles in and beyond the ANC over Zuma’s presidency have heated up, the radical economic transformation narrative has taken centre stage and the leaked Guptagate Emails have generated a stream of disclosures of state capture. And it has been in these final weeks of the second quarter that, the Mineral Resources Minister has shocked the markets with his proposed Mining Charter which was supported by government and the ANC (But now put on hold by the ANC given the mammoth criticism and court challenges to this proposal) and, the Public Protector has shocked them again with her attacks on the Reserve Bank’s mandates of price stability and financial stability. All of this will have drastic effects upon an already shattered consumer and business confidence” Hilary Joffe (2017:7) amongst others postulates as follows:

“Some of the recent economic indicators have had eerie echoes of 2009 when South Africa’s economy contracted 1.5 percent in the wake of the global financial crisis and about a million jobs were lost.

The confidence index plummeted by 11 points to 29 in the first quarter, almost taking it back to levels last seen in 2009.

The index has proved to be a good predictor of what will happen to investment and growth. This prompted Ratings Agency Moody's to issue a comment, saying the steep decline in business confidence was a setback for South Africa's growth recovery and pointed out that 2017's near 4 percent real decline in investment was similar to the drop recorded during the global financial crisis. Moody's predicts that investment would stagnate, at best, in 2017.

When the consensus on the economy turns out to be very wrong, it is often a sign that big changes are going on in the economy that have not been evident in the indicators that economists watch from month to month.

What caught everyone out this time was how broad – based the rout was in the first quarter.

The South African economy is a train smash and, the country is heading for four years of negative real capita growth. Everyone, on average, is getting poorer.

At such low growth rates, there is very little chance the economy will create enough employment to tackle an unemployment rate that has hit nearly 28 percent.

The implications for the public purse and for the government's ability to increase spending on social and other services are severe. The country cannot afford empty and reckless populist rhetoric that dampens economic recovery and brings South Africa to complete Junk status as an economy and, ushers in greater strife for an already compromised population.

The ANC has to home in these mavericks and, call them to order once and for all, and temper their rhetoric in respect of the notions of white monopoly capital and radical economic transformation.

Tax revenue will fall below expectations because growth is expected to fall far short of budget estimates. This means that fiscal deficit will be higher than expected and the government which has the propensity to spend without caution will be forced to cut spending over the next two or three years.

The problem and trouble is that slashing government spending or raising taxes further, will cut economic growth, even more, risking a vicious downward spiral.

Low growth and fiscal pressures also make it more likely that the ratings agencies will downgrade again, adding to the downward confidence spiral.

It could get a lot worse, if the ANC policy conference yields a Zuma faction walkover with very investor – unfriendly resolutions, or if there are further fiascos.

Jobs and growth is in the court of South Africa's political leaders." (Hilary Joffe, 2017: 7 and, emphasis added and summarized by the authors).

South Africa is rapidly declining in all fronts. In this regard, Jon Quirk (2017: 4) aptly observed that "the pro ANC ally and a break away from the Economic Freedom Fighters, a vociferous opposition party, led by the firebrand Julius Malema, sees the Black First Land First party behaving like thugs at the behest of the detestable Gupta family that, has been at the centre of state capture and largely the capture of the ANC and its president; and the morass that the country finds itself in economically can be laid bare at their feet and at the feet of ANC politicians. They behaved so badly in front of journalist Peter Bruce's home, threatening him with violence because, he has written continuously about the looting of state resources by this family, in collusion with the president and his acolytes and cohorts. This is a sad day because press freedom has been trampled upon and, the state together with its so – called democracy is in tatters. The country is being reduced to a mafia state or in actual fact we are already there. We see that Redi Tlhabi is leaving radio 702 for the same reasons. South Africa sees massive threats to renowned journalists and political commentators such as Karima Brown and Ferial Haffajee and a host of others. We see that the ANC veterans, so disgusted by the thuggish, intolerant behaviour of the ANC and because of its fear of open debate at their policy conference that, they are boycotting the first two days. We have the health minister seeking to squeeze the few remaining taxpayers and businesses to fund a National Health Insurance (NHI) scheme that is a good idea, but simply unaffordable given the current South African economic climate." There are a myriad of problems confronting the country, brought about by the ruling ANC and, the country will further deteriorate under the present ANC leadership.

In the United States Martin Luther King first called for equality of access to medical services as a civil rights issue in the 1960's. Obamacare tried to solve the problem, but instead of contributions to the system being compulsory, it was optional. While the Health Minister Aaron Motsoaledi's sentiment is laudable, like most laws, this government wants to introduce it as a hammer blow that ignores the input from key role players and, will continue to destroy investor confidence and lead to the rationalization of the medical industry. Who cares if you don't get the tax break for medical deductions anymore, which is similar to paying for private schooling? All that will happen is that, as with education, the government facilities will get worse and private enterprise will fill the gap.

Perhaps doctors in South Africa should get together and establish a 'medical debenture' system where people can pre - book timeshare for their services at dedicated medical malls. After all, the doctors will eventually be faced with deciding where to work and, like the labour market in general, most will choose to be freelance contractors. If they pre – book patients, they can prove more than one source of income and, will then be taxed provisionally. South Africa should tread cautiously with the implementation of the essential NHI that

seeks to secure universal health care because, it will cost upwards of R300 billion and simultaneously destroy the private healthcare system. Given the current economic climate, its implementation is a figment of the health minister's and the government's imagination.

All of this merely underlines the ANC's bleak view of the economy; it never seeks to grow the pie, create opportunity and extend economic wellbeing, but rather wants continually to redistribute ever smaller slices. The ANC just does not have the capacity to engineer policy imperatives that can revive the economy. The country is sliding, in a rapidly declining country.

### **No Quick Fix getting growth back on Track**

Given the dire circumstances that South Africa's economy finds itself in because of its own making, there is little hope for swift recovery. Gavin Keeton (2017: 7) states that Finance Minister Malusi Gigaba "Acknowledged this when he announced that even the Treasury's meager 1.3 percent growth forecast for 2017 is now unlikely to be realized. Keeton states that "For a second consecutive year, the economy will grow more slowly than South Africa's population. The Finance Minister said that this will now "compromise the ability to rapidly reduce poverty, unemployment and inequality." Keeton (2017: 7) says that "Astonishingly, South Africa's woes are mostly self – inflicted. In a recent presentation, Stanlib economist Kevin Lings demonstrated how the country's growth since 1994 has usually been closely tied to growth in the world economy. Sometimes it grew a bit faster than world growth, sometimes a bit slower. But the now four year collapse of growth has occurred while the world economy grew steadily. This divergence is unprecedented." The authors posit that South Africa's growth collapse to low levels of business and consumer confidence is now totally on the brink and has reached a situation of no return in the medium term. This, too, contrasts with high levels of business and consumer confidence globally. Low level of business confidence mean business investment is weak and job creation in the private sector has slowed. Businesses wanting to expand are increasingly looking for opportunities outside South Africa. Economic weakness means slow growth in tax revenue, reducing the government's spending ability.

While the government talks about the need to work with business, its actions suggest otherwise. "In other words growth does not just happen says Keeton (2017: 7) but must be consciously chosen as an overarching goal by a country's leadership" but, this leadership is woefully absent within the ruling ANC, under the inept President Jacob Zuma. Keeton (2017: 7) adds that "Economic growth is a bargain between the present and the future, in which citizens must forego consumption today, in return for higher standards of living tomorrow. Few politicians and countries have been willing," and South Africa is an example of this unwillingness, to pay this price because, the current leadership within government has to maintain the status quo, nurse their high paying jobs and perks that go with it, accumulate illicit gains, and allow rampant corruption to run a mock without any accountability and, thus compromise the welfare of the country and its citizens, as it has done with the greatest impunity and continues to do so, as though there is no tomorrow. If the current trajectory is followed by the government, it will not reach the development goals couched in its narrative and policies, in order to escape the poverty trap and cycle that, it has created to the peril of the sum total of the population. The South African political leadership has instead shifted its focus to redistributing the existing economic pie. This is much harder than they think.

Global experience shows it is difficult to redistribute successfully without the enabling economic growth. The result is invariably a shrinking pie and South Africa's lapse into recession confirms this. While such policies benefit the small predatory political elite, they offer little hope for the millions of unemployed and poor, exacerbated by politicians and bureaucrats that continue to compromise the economy by populist rhetoric, unfounded statements and reports, as is seen in the recent Public Protector's report on Absa.

### **It Now All Points to Further Downgrades of the South African Economy**

There is no doubt that the credit rating downgrades of South Africa's five largest banks, the downgrade of the economy to one notch above junk status, the downgrading of four insurers and, eight corporations, the political malaise, unnecessary political rhetoric, a lack of foreign and local investment, the recession, policy uncertainty, the infighting within the ruling ANC and a host of other serious issues, plaguing the country, including High Court and constitutional judgments against the government spells disaster and destruction of the economy. Given these scenarios, it is expected thus to lead to a tighter and more expensive credit market. This will all lead to knock on effects for all South Africans, especially the poor. Roy Cokayne (2017: 15) states in this regard that "The downgrading of the banks will make it more difficult for the banks to support fixed investment, increased difficulty in getting credit, higher interest rates, a lack of business confidence and, the unwillingness of the banks to lend as before. Household consumption rates, which accounted for 60 percent of gross domestic product, were expected to remain weak. In other words, basically the country will not get a credit fuelled expenditure boom any time soon."

### **Fitch Cuts Growth Forecast to 0.7 Percent**

Another blow for the South African economy reports Kabelo Khumalo (2017:1) is now the all - embracing reality that ratings agency Fitch on the 28 of June, 2017 “Joined the World Bank in revising South Africa’s economic growth to 0.7 percent from its previous forecast of 1 percent, warning that pursuing a nuclear programme would put significant strain on the sluggish economy.” This revision of the country’s growth prospects are in line with the dominant sentiment among economists. Earlier this month (June, 2017) the World Bank slashed the country’s economic growth outlook for this year to 0.6 percent, down 0.5 percentage points from its January forecast of 1.1 percent. Kabelo Khumalo (2017:1) further adds that “Fist National Bank has also toned down its optimism about growth prospects, saying growth would settle at 0.6 percent this year, down from its previous prediction of 0.7 percent. Only the IMF expects growth to average 1 percent, up from its previous forecast of 0.8 percent, based on anticipated higher agricultural production.” Fitch (In Khumalo, 2017) stated that “Even, if South Africa does secure contracts for new nuclear capacity over the coming year, we expect the development of projects to be hindered by the inhibitive costs of technology that South Africa cannot afford currently and, over a long period and until the economy stabilizes; delays to construction and cost over – runs, which are commonplace with nuclear projects across the world.” South Africa’s economic woes will definitely worsen because there is no political willingness within the ruling party to turn around the beleaguered economy that is confronted with the immense propensity of government to spend, rather than cut back expenditure that the country can ill – afford.

### **Parliament to oppose Protector’s Bank Bid and ANC Distances itself from her Call**

South Africa and the ANC’s members in Parliament are not averse to sensationalism and, supporting the wrong and, much of its rhetoric is empty and lacks conviction. The ANC members on seven previous occasions did not support no - confidence motions against President Jacob Zuma for violating the prescripts of the Constitution of the Republic as pointed out by the Chief Justice of the Judiciary in a damning indictment upon him. Now we see that the same Parliament with an ANC majority has called for “Remedial action against the Public Protector’s report, and will take it under judicial review” reports Quintal (2017: 3). On the other hand the ANC has distanced itself from the report and comments of the Public Protector. The genuineness of Parliament and the ANC, given their histories, must be left to be seen. It is a comedy of errors and no faith can be placed on Parliament and the African National Congress, in this regard. It has now emerged that Finance Minister Gigaba, and the government of the ANC has back peddled and that, the minister will now side with the Reserve Bank against the Public Protector when the issue goes to court, reports Carol Paton (2017: 1). This is a comedy of errors because the ANC had very strongly supported and agreed with the Public Protector’s report and recommendations.

### **President Zuma’s Mallet has Smashed the South African Economy to a Point of no Return**

Mark Allix (2017: 10) reports that “Business confidence and employment have fallen to their worst levels in years. As observers are now saying, this can be put down to one thing: President Jacob Zuma and his government. Amid state capture, even upstanding members of the Cabinet have been deeply compromised, if not totally corrupted. The ANC’s glib approach to democracy has seen the economy flounder in pursuit of disparate national agendas.” These include the vision of a development state and black economic empowerment that, is split between adherents of the National Development Plan and far more – state interventionist New Growth Path. As these contradictions have morphed into radical economic transformation, populism and personal gain have sunk economic and legislative integrity. “Allied to the notion of a development state, South Africa’s governing party has assumed that it can create markets by fiat. But the only tool it has in the toolbox is a bludgeoning instrument that bears down on the finest crew and smallest nut with the same force it would forge a sword on an anvil. The result is that companies and markets, large and small, have been squeezed into a box that neither fits them in any way nor allows them to escape” states Mark Allix (2017: 10).

Black economic empowerment legislation and its proxy preferential procurement and local content stipulations, has become so suffocating, commandeering and fickle that companies cannot function according to market principles. They cannot work in a climate of government inertia and a total lack of policy uncertainty. They do not know what to expect because pronouncements are made in maverick populist rhetoric that constantly drives the economy to a downward spiral and thus to a point of no return. Paradoxically, as the government seeks to stimulate competition and free – up markets according to World Trade Organization rules, South Africa’s manufacturing economy has declined more than steadily. Dominant industries including primary steel and chicken producers clamour for greater tariff protections in the same breath that the government talks of taxes to force beneficiation of strategic minerals to reindustrialize the country.

In the interim, the state has punished errant and arrogant steel and construction companies for outmoded cartel practices. But by simultaneously starving them of projects, in order to make them transform, the government has also sucked so much oxygen from the economy that has resulted in the downgrades. After years of already difficult macroeconomic conditions, this has led many listed construction groups to divest of steel – related manufacturing subsidiaries at fire sale prices. And while some empowerment deals have now been done



at bargain – basement values, the new owners remain stuck in stagnant markets. It now appears that the process of transformation has also engendered thieving within state – owned enterprises. Whether over coal or uranium supplies and possible future nuclear deals, which is being pushed by the president, in spite that the country cannot afford it. All of this is called and manifested as “Big Man politics and is not at all exclusive to South Africa or the rest of Africa. But it is anathema to democracy” states Mark Allix (2017: 10). It can therefore be confidently asserted that Jacob Zuma’s government, in allowing the pursuit of multiple and nefarious agendas, is now very close to emulating the political, moral and socioeconomic failings of Zimbabwe and, more recently, Zambia. It is thus obvious that the Public Protector’s statements on amending the mandate of the Reserve Bank to protect the country’s currency are so wholly misplaced that soon South Africa will not have the economic dynamism needed to attract consistent and necessary investment. Years of mangled empowerment policies in the mining industry, have sundered the sector at the same time labour has imploded. The inability of the government to stimulate the related domestic and construction industries is instructive. By the same token the automotive industry is reeling with General Motors having exited the country. This spells further disaster for the beleaguered economy.

### **Former Governor of the Reserve Bank Says Protectors Mandate Unlawful and Dangerous and is Suspect**

Chris Barron (2017: 8) reports that former Governor of the Reserve Bank Gill Marcus states that “Another ratings agency downgrade is likely, as result of the nefarious attack on the independence of the central bank by the public protector. It is untenable for the public protector to use the issue of the Reserve Banks bail – out of Bankorp – about which the facts are absolutely clear and set out and well known to the public protector, as a pretext to mount an attack in the central bank’s independence. A generous interpretation is that the public protector does not understand the role of the central bank – and for a public protector such ignorance would be inexcusable. The bank does not deal with growth.” The former Governor (In Barron, 2017) added that “In fact, her actions are going to have a very harmful effect on economic growth and the socioeconomic wellbeing of citizens.” The fact that the leadership in government has not seen fit to say this is not an acceptable approach to the central bank, it is plainly unacceptable. In other words her actions are unlawful. Marcus further states (In Barron, 2017) that “The public protector’s attitude seems to be, don’t confuse me with facts. And if you do confuse me with facts I’ve got alternative ones. It’s an absurdity, but that’s the level to which this important issue is sinking. It is really shameful.”

### **Fictional Enemies will not Save South Africa**

Given the discussion in this narrative, it is important to note the government’s arguments in respect of radical economic transformation and its attack on so – called white monopoly capital may sound politically alluring but in actual fact, it merely diverts attention on the part of the South African state and government from the real challenges facing the people of South Africa. This is exemplified by the massive failures after 23 years of democracy and especially, under the Zuma Presidency that has been bogged down by endemic corruption and, state capture and vulgar patronage politics. In this regard Ricardo Hausmann, one of the world’s leading experts on what drives economic growth, especially in developing countries (In Ann Bernstein, 2017: 7) says that “By depicting existing companies with their know – how and capabilities as the enemies of its people, South Africa risks making a historically calamitous mistake.” He previously advised the South Africa on economic policies needed to unlock the binding constraints on faster economic growth. The reports were among the most rigorous and compelling analyses of South Africa’s economic challenges, though most of the recommendations have not been implemented.

According to Ann Bernstein (2017: 7) “He said that historically, there have been two broad ways of interpreting life. One is epitomized by Karl Marx, who said that the history of all hitherto existing societies is the history of class struggle where progress requires the success of one class at the expense of another. The other interpretation is to say the story of humanity is not primarily a history of conflict, but one of expanding forms of co – operation, and progress has expanded that co – operation from families to bands and then to tribes, nations and international co – operation.” It is thus very obvious that, a country’s policies and politics are influenced by how leaders think about history. If a country’s policies are based on Marx’s ideas about class struggle, then it will leave out enormous opportunities for co – operation. The gains from co – operation are hugely important. South Africans therefore, need to tell themselves a new, more accurate story about what is going wrong and what needs to be fixed, because the “white monopoly capital” narrative, which proposes “radical economic transformation” as its solution is a recipe for failure. There is no doubt that South Africa needs economic transformation because there are too many unemployed people and too many people living in poverty. Ann Bernstein (2017: 7) in this regard says that “The creation of the “white monopoly capital” enemy is based on a fiction and is counterproductive. Even if companies were the enemy, South Africa’s deep capital markets and billion – dollar companies mean it is not true that companies are owned by white people – 30 percent to 40

percent of Johannesburg Stock Exchange listed companies are owned by foreigners and a similar ration by domestic pension funds whose beneficiaries include millions of contributors, black and white.”

There is a similarity with Venezuela, where the ideology of Hugo Chavez blamed inflation and a recession on devious business behaviour that had to be controlled through more regulation, more expropriations and more managers on jail. The destruction of people and organizations was perceived as a step in the right direction. By getting rid of the villains the country would be healed. What South Africa has to learn as a lesson is that how costly it is to embrace a dysfunctional belief system, and how costly policies based on a dysfunctional belief systems can be in a quest to ‘return’ the wealth to the people, the country may end up impoverishing them. It must therefore, be acknowledged that the key mechanism through which poor policies generate cataclysmic results is through the destruction of know – how, the critical though often underestimated ingredient of prosperity and economic growth. This is the destructive path that the current government, the ruling ANC and some of its leftist supporters are touting and relentlessly pursuing to the peril of the country. South Africa risks following countries such as Zimbabwe, Venezuela and Algeria, where post – independence or revolutionary governments inherited know – how but is on the path of destroying this know how. “Radical economic transformation” may and will lead to the loss of know – how vital to the development of South Africa, like Zimbabwe, sees itself as a black African nation with a few unfortunate impurities, or as the “rainbow nation” promoted by Nelson Mandela and Archbishop Desmond Tutu, a country that is stronger because it builds on its existing know – how for the whole country and celebrates its diversity” according to Ann Bernstein (2017: 7). Against the above background “South Africa continued to bleed jobs with the first quarter employment data released by Statistics South Africa thus failing to ignite the ailing economy. The country slashed 48 000 jobs and gross earnings also declined by R19.3 billion during this period and the unemployment rate increased to 27.7 percent” (Kabelo Khumalo. 2017: 1). On the other hand Alan Seccombe (2017: 1) states that “Anglo Gold Ashanti, the world’s third – largest gold miner, could cut 8500 jobs or a third of its South African workforce. This spells disaster for the South African mining sector and, these figures will increase as retrenchments loom amidst the release of the controversial mining charter by government, which is exacerbated by populist rhetoric of “radical economic transformation,” which is driving away investment into South Africa, in all sectors of the economy. Over the last four years the mining sector has shed more than 70 000 jobs.”

Unemployment would continue as economic structural reforms are haphazard, delayed and ignored by the government. The situation is dire and South Africa is on a path of economic destruction. Given the discussion in this narrative, the country remains lost in the economic revolution to jump start the processes of economic revival. The time for talking is over and real policies on a coordinated level are required now, in order to address policy uncertainty that has bedeviled the country through a corrupt and totally inept government, under whose watch unemployment, poverty, and inequality is a stark reality, coupled with an unconvincing narrative of “radical economic transformation” amidst, the implications of multiple downgrades, a recession that is hitting hard, in terms of rising inflation and unnecessary political rhetoric.

### **The Business of Transformation**

As sections of the governing party become more antibusiness and anti – market, the anti - transformation accusation has increasingly become one of the sticks with which to beat business. It tends to be the instrument of choice of politicians, who constantly pull out the anti – transformation stick, in the face of numerous poor policy interventions by government, like the desire of wanting to implement a mining charter to drastically overhaul the South African mining sector in its narrative of “radical economic transformation” in respect of empowering black citizens in a haphazard manner, without considering the irreparable damage that this will do the economy of the country; hasten a downgrade to complete junk status. In reality South Africa will become a non – investor country, increasing poverty and unemployment to the peril of the black majority population of the country. This has been done without consultation and, it now faces a court challenge. The chances are that the ANC’s policy conference that will be held over the weekend of the 30 of June, 2017, could have some of the rabid party delegates and various ANC formations, urging more of the same for other sectors, potentially further denting investor confidence and economic growth. The government according to the Business Day Editorial (2017:6) states that “The government has tended to impose rules, regulations, charters and legislation on business. In this regard businesses have often adopted numerical compliance – based approach to transformation.” In other words if businesses see themselves as agents of transformation in their own right, it could make for a much more effective and less tick – box approach. The Business Day Editorial (2017: 6) further adds that “A transformative culture within businesses is one of the key drivers and enablers to deracialize the economy. The other drivers or enablers are demand – led skills development, enterprise development support and employment promotion, particularly of youth.” Genuinely deracializing the South African economy also means restructuring the economy in ways that could only be good for growth.

### **ANC’s Sense of Destiny Denies will of South African People**

As a gestalt to the total discussion undertaken in this paper, it is most relevant to unpack some policy documents that will be discussed, at the ANC's 6 days meeting (which began on the 29 June, 2017). These policy issues are an attempt to regain lost ground, transform itself, in order to reorganize itself and regain the moral high ground, given the absolute morass it finds itself within the political landscape of South Africa currently. Past stalwarts, politicians and the veterans of the ANC have boycotted the conference on the grounds that the ANC leadership is steeped in corruption, patronage and, that, the president of the party Jacob Zuma will not step down as leader, in spite of him been implicated in numerous corruption cases and not abiding by the Constitutional Court of the country, which found him to have transgressed his oath of office. On the other hand the ANC alliance partners, the South African Communist Party and the largest trade union formation, the Congress of South African Trade Unions (Cosatu) are at a tangent with the ANC in terms of policy direction. The ANC alliance is in tatters, so much so that Cosatu has banned the President of the ANC from attending its meetings. This indicates very serious problems within a fractured alliance and does not augur well for the ANC. The policy conference will be less about policy imperatives to take the country out of its economic morass, but more about the succession debate within the ANC in terms of who will be elected as its leader after Jacob Zuma. The elective conference of the ANC takes place in December of 2017. The policy imperatives from the six day conference and, their outcomes will largely determine the direction taken by the ANC, in order to save the country and will no doubt determine its fate at the country's 2019 national elections.

The documents released (June, 2017) ahead of the upcoming policy conference of South Africa's governing ANC expose, a panicking party that sees enemies everywhere. A purposeful reading of some of the documents indicates that, while previous policy conferences addressed real policy issues, all energies are now focused on retaining state power, as the leadership faces damning claims of capture by kleptocratic elite. The discussion documents show a party that professes a desire for self – correction and renewal, but it seems to have neither the guts nor the necessary internal balance of forces to do so. At the same time the documents point to a deepening paranoia and, an increasing authoritarian tendency. In combination they seem to emanate from a parallel universe where the party's interests have become elevated above those of the South African society at large. Some of the texts shows a party that is going through the motions. There is a trotting of lofty ideals left over from when it still occupied the moral high ground. It is a rhetoric that used to be meaningful and powerful. But it has been emptied out by the ANC's increasing failure to harness the state's resources for the good of all.

For example, Christi van der Westhuizen (2017:9) points out that "The document on "Organizational Renewal and Organization Design" claims the ANC's vision is informed by the morality of caring and human solidarity, and its mission is to serve the people of South Africa. Beyond this nostalgia for what it used to be, the ANC documents display little sense of the depth and severity of the political, constitutional, economic, and governance crisis facing South Africa. What does come across strongly, however, is a party that feels beleaguered and panicky about possible loss of state power. The "Organizational Renewal" document issues the following admonition: "It is in the interests of the movement to \_\_ undergo a brutally frank process of introspecting and self – correction." She further adds that "This sentiment is overtaken by disappointment over the party's poor performance in the 2016 local government elections. Several pages are dedicated to investigating how other liberation movements became defunct. It transpires that the primary emergency is "to ensure that the ANC remains at the helm of government."

There is no doubt that political parties are about getting and holding on to power. But because of the ANC's habit of conflating party and state, there seems to be no understanding that its feeling of destiny, that it should rule "until Jesus comes" as President Jacob Zuma put it, won't dictate the will of the people. Parties get re – elected because they demonstrably govern in service of the will of the people. If the ANC should demonstrate that it will be returned to power in 2019. If not, it will not. There is an admission that the moral suasion that the ANC has wielded to lead society is waning, and the electorate is starting more effectively to assert its negative judgment. Significant sections of the motive forces seem to have lost confidence in the capacity and will of the ANC to carry out the agenda of social transformation, owing to subjective weaknesses in the party.

These weaknesses are identified but in a way that skirts around the extent and depth of state capture. More and more evidence, including hundreds of thousands of leaked e – mails, have emerged that a settler Indian family, who settled in South Africa around twenty years ago, the Guptas, have over the past number of years gained a hold on President Jacob Zuma and a network of ANC leaders. This grip stretches from national to local level, and from government departments to state – owned enterprises. (This immigrant and expatriate family of new Indian settlers from India, have tarnished the rich contributions of South Africans of Indian descent that settled in South Africa more than 150 years ago and, who have contributed significantly in all facets of South African life as patriotic citizens and, have made a magnificent contribution to the liberation of South Africa from the yoke of apartheid oppression). But in the ANC documents, black capitalists are blamed for "corrupt practices including attempts to capture institutions of political and state authority." The Guptas only get an opaque acknowledgment with reference to lobbying" "The lobbying process engineered by clandestine factionalism destabilizes the organization \_\_ Factionalism's clandestine nature makes it a parallel activity \_\_" (ANC Policy Documents, June, 2017).

It is almost as though the policy documents authors do not believe their own diagnosis, or the implications of the party's subjective weaknesses. The document becomes contradictory. Even as it admits that the motive forces \_\_ still desire such change and are prepared to work for it, it starts to cast suspicion. The document states that "The mass of people can, by commission or omission, precipitate an election outcome that places into positions of authority forces than can stealthily and deceitfully chip away at the progressive realization of a National Democratic Society. That the "people", rather than a party that's lost its way, are in fact the problem, becomes more ominously clear in the document on "peace and stability" (ANC Policy Documents, June, 2017). It must be remembered and recalled that Leninist van - guardism makes the party still feel it knows best, and that the people are useful fools. It's worth quoting the whole section to see the extent of the paranoia in the ANC and the array of enemies it creates to avoid confronting the enemy within.

According to the ANC document (2017) and Christi van der Westhuizen (2017:9) "The main strategy used by foreign intelligence services is to "mobilize the unsuspecting masses of this country to reject legally constituted structures and institutions in order to advance unconstitutional regime change; the alignment of the agendas of foreign intelligence services and negative domestic forces threatens to undermine the authority of the state." Their general strategy makes use of a range of role – players to promote their agenda and these include, but are not limited to, the mass media, non – governmental organizations and community – based organizations, foreign and multi – national companies, funding of opposition activities, the judiciary, religious and student – organizations, infiltration and recruitment in key government departments, placement of non – South Africans in key positions in departments, and prominent influential persons. This paranoia on the part of the ANC leaves no section of society both internally and externally, unscathed in defending itself for poor governance in all sectors of the country, especially in poor financial management of the country after 23 years of ANC rule.

The proposed organizational renewal is but nothing but, to bolster the ANC secretary – general's powers. Even this belated and lacklustre attempt to reduce the ANC president's control over the party is compromised, as the clarion call of the discussion documents is to deepen unity. That is why the actual enemies cannot be confronted, those that have insidiously corrupted the very life and soul of the party. Instead a worrying paranoid and authoritarian tendency emerges. Its targets are journalists, judges, church and business leaders, activists, opposition parties, foreigners and intellectuals. It is because of these issues that corruption triumphs and the state can fuel unpopular political rhetoric and, by the same token use the office of the current Public Protector and many others, to make unpopular statements calling for radical economic transformation, in order to mask the failures of the ANC government over 23 years of South African freedom.

Nowhere in the policy documents is the fact confronted openly and honestly that President Jacob Zuma, who is the president of the ANC and the country, has ceded South Africa's sovereignty to a foreign family, or that state – owned entities and government departments are being repurposed to enrich a small clique at the expense of the people.

The frightening reality of this overt mismanagement of the economy and the unfolding consequences of unfounded political rhetoric, and the endemic corruption, South Africa will now have no alternative but to approach the World Bank and the International Monetary fund for huge loans at very high interest rates, and its woes will be further compounded by further downgrades to its economy, which will lead to junk status. This is further compounded by the effects of an economy in recession and, the very high unemployment, together with the demands by workers for higher salaries and indeed greater civil disobedience in terms of service delivery protests and, to this end the government will not be in a position to deliver the promises, it has made to the people. All of this will put paid to the ruling party's so – called narrative on radical economic transformation and, its vitriolic political rhetoric. The reality will soon dawn or must dawn on the leadership of the ANC that loans from the IMF and the World bank, will out of necessity, usher in an era of structural adjustment programmes that will hamper the progress of the country and, usher in a period of greater hardship for the majority of the people because unemployment and poverty will deepen further.

Against this background President Jacob Zuma's supporters are waging a battle against the diagnostic report on the ANC, tabled at its policy conference by the Secretary General of the ANC. The diagnosis revealed that "that the ANC is in tatters, the alliance all but broken, that there is factionalism within the ruling party, that is tearing it apart, that white monopoly capital should be termed monopoly capital, that the ruling government has not dealt with unemployment, there is too much of political patronage and, that, endemic corruption is the order of the day and, is deeply rooted within both the government and the party. All of this and much more he said were associated with one person, in the form of President Jacob Zuma" (Mbanjwa; Hans; Koko; and Mkhwanazi, 2017: 1). This is decisive proof that it is time for the ANC president and, the president of the country to step down, if the party is to once again regain the moral high – ground and, begin a programme of moral regeneration of the party and, that, reconstruction, transformation and issues of a beleaguered economy must be left to new youthful ANC leaders.

### **IMF Warning: Economy Badly Exposed to Shocks**

According to the Foreign Staff of the Business Day (2017: 1) “The IMF warned South Africa on the 6 of July, 2017 that its economy was extremely vulnerable to external shocks and funding shortfalls, although it stuck to its earlier growth forecast for the country of less than 1 percent for 2017.” It further added that the following issues were of grave concern:

“Political uncertainty linked to political turbulence would weigh on business and consumer confidence.

Its entry into recession in the first quarter and the high unemployment rate of 28 percent is of very serious concern.

Bitter divisions in the ruling ANC as the contest to replace President Zuma intensifies, have also raised investor fears that policy to revive growth would take a back seat.

Following last year’s near standstill in economic activity, growth is projected to increase to 1 percent in 2017 or much lower and 1.2 percent or less in 2018, was still insufficient to keep pace with the rising population.

Investor confidence has been depressed by political uncertainty following the axing of the competent Finance Minister Pravin Gordhan in March and subsequent credit downgrades to sub - investment.

It has also been rattled by worries about the South African Reserve Bank’s future independence and by plans for the redistribution of land.

GDP contracted 0.7 percent in the first quarter after contracting 0.3 percent in the fourth quarter of 2016, dragging the economy into its first recession in nearly a decade.

External and domestic contexts could result in significant shocks, especially if accompanied by further downgrades of local currency sovereign credit ratings, to below investment grade.

In terms of government debt, low growth has taken a toll on the state of the public finances, increasing government debt.

That, the government’s balance sheet was also exposed to sizeable contingent liabilities from state – owned enterprises.

The IMF said that the Finance Minister is under pressure to detail plans to turn the economy around and avoid credit downgrades deeper into junk indicating that the Finance Minister Malusi Gigaba has indicated only recently that South Africa might be forced to seek outside financial assistance if the economy kept sinking.

Recently the Minister of Finance announced a R2.3 billion bail – out of state – owned South African Airways, one of a clutch of state – owned enterprises heavily dependent on government guarantees totaling nearly R500 billion, about a third of total state expenditure. Request of this nature will continue with the most recent being the public broadcaster, the SABC.

The IMF has squarely placed the burden of economic growth in the Treasury’s court, in the midst of hotly contested debate about the mandate of the Bank and whether it should be responsible for socioeconomic wellbeing.

Uncertainty about the direction of future economic policies in the run – up to the ANC’s December national elective conference has also hurt consumer and investor confidence.

Public discourse in the run – up to the 2019 presidential elections is increasingly focusing on “radical economic transformation”, including more rapid transfer of economic resources to the black majority and other disadvantaged groups.

Low investment and consumer confidence have been associated with rising uncertainty regarding the direction of policies as well as perceptions of weakening governance.

The scope for monetary policy the IMF said was the preserve of the Bank, or the Treasury’s fiscal policy was to stimulate the economy was limited.

There has to be prudent fiscal policy aimed at maintaining debt sustainability while prioritizing pro - growth and pro – poor spending.

That budget execution and the implementation of revenue and fiscal reform measures to ensure that government debt stabilizes significantly below 60 percent of GDP.

The need to monitor and manage fiscal risks from explicit or implicit government guarantees, and the importance of reform of state – owned enterprises.” (IMF, 2017 in Foreign Staff. 2017: 1 – 2; Emphasis added by the authors).

The above is a clear indication that the South African economy is under tremendous stress under the ANC government. In this regard the government has to intervene decisively or bear the wrath of the people at the 2019 national elections, and by the same token bear the wrath of ratings agencies, international investors, the IMF and the World Bank in the long and short term. It has to usher in an era of policy certainty, stem the tide of overt and endemic corruption and down - play its misguided political rhetoric of radical economic transformation, the attack upon the Reserve Bank and its unfounded criticism of white monopoly capital and temper the storm on expropriation of land without compensation. It has to encourage investor confidence but, with the current toxic politics within the country, it is unlikely that this will be achieved. This is a sure recipe for disaster as the country slides into the abyss of destruction economically, thus heightening political tensions and, adding more woes to the compromised population, especially the majority black population, and thus destroying the gains made in less than 23 years of South African democracy, post 1994.

## II. CONCLUSION

This paper attempted to give an overall picture of the South African economy under the present ANC government. It painted a bleak picture of the economic woes that confront the country. It spelled out that utterances and unnecessary political rhetoric by many role players including the government and, chapter 9 institutions like, the office of the Public Protector, does more harm to the country, stymies investment possibilities and, that, if this continues driving political uncertainty, and a lack of policy certainty, without a concerted effort to usher in an era of fiscal consolidation, the lives of ordinary citizens will be drastically affected; further exacerbated by increasing unemployment, widening inequality together with vulgar and obscene poverty. A cursory critique of the policy documents were undertaken, in order to bring to the fore, the paranoia within the ruling ANC as a party and the government.

The political playing field in South Africa is littered with too many politicians from all walks of life, and with various degrees of ambition. Amid the plethora of nonsensical comments from politicians across the spectrum on myriad issues from corruption to bribery to the stealing of taxpayers hard earned resources. The attitude towards international credit rating agencies, the recession that has hit the country and the worsening economic situation under the ANC has been described as “unfortunate and based on ignorance” by the respected economist Dr Iraj Abedian (Mercury, 2017, June 26). Never a truer word spoken in this regard. In other words what do party hacks and unschooled ANC comrades and, a host of politicians know about the global economy? The country has a very serious problem with ANC representatives making statements in the public domain that, are both inaccurate and misleading, thus adding more woes to the economy. The question is why on earth recognised rating agencies such as Standard and Poor, Fitch, and Moody’s have an axe to grind with a political party in South Africa? They are international companies based overseas and have downgraded massive economies such as American and British.

It appears that ANC leaders have no clue of the technicalities of the modern economy. All done and said South Africa is in urgent need of a change in economic priorities. The ANC has inherited a divide – and rule landscape, a rabid grip of tribalism, ethnic consciousness, using minorities as a scapegoat, coloured in chauvinism, the rise of dangerous Black Nationalism and, most of its leaders are involved in dangerous patronage and, endemic corruption. It will be difficult for the country to emerge from this ingrained morass. The time has come to home in errant leaders, politicians and bureaucrats, if South Africa is to be saved from all of this. The ANC has a moral responsibility to usher in an era of credible leadership like the past, and unite South African people. If this is achieved, all else will follow.

The ANC once a strong brand, a string of scandals, inability to deliver basic services and bad management, unnecessary rabid political rhetoric have seen the party denature over the last 23 years of democracy and, especially in the last eight years under President Jacob Zuma. In 1994, the idea that the ANC might lose power was unthinkable. With elections approaching in 2019, the party is on the ropes. It’s a classic tale of a strong brand that has been allowed to denature, thanks to a string of scandals and the inability to deliver basic services consistently. Thus far, the party has failed and the ANC brand is in trouble and this is due to its own making. Perhaps the time has come to dump so – called revolutionary politics of the past and, usher in a new era of both government and politics in South Africa, under a new and truly democratically elected government by changing the outmoded current election system. It must allow the population to elect its own leaders and also elect its own president. This will allow for accountability, honest governance, economic growth and pride in South Africa as a nation. It will also allow importantly, that new elected political leaders will not live on a past revolutionary track record. This is the only way that democracy can and will be consolidated in a country that has so much potential to emerge from the current quagmire and destruction caused by the ruling ANC.

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