

Rekindling hope is the missing elixir needed to fix South Africa's economy

By [Brian Lewy](#)

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South Africa's election season is underway. But current debates are stuck in a time warp. The country needs to look beyond the familiar nostrums that have held sway for much of its first decades of democracy.



South Africa urgently needs to get its economy moving again. Shutterstock

In his February, 2019 State of the Nation [speech](#), President Cyril Ramaphosa followed the classic fix-the-business-environment formula for job creation. He set a target to move South Africa's performance up from 82nd to the top 50 in the World Bank's ease of Doing Business ratings within the next three years.

The rhetoric from the main opposition party, the Democratic Alliance, is similar. The smaller populist Economic Freedom Front's vision for jobs seems to be to emulate Venezuela.

There's no doubt in anybody's mind that South Africa urgently needs to get its economy moving again. But as two great 20th century economists [John Maynard Keynes](#) and [Albert Hirschman](#) have taught the world, economic momentum is not created by focusing on the myriad pinpricks about which business continually complains. Rather, the way to reinvigorate the economy is to rekindle hope across society.

As Keynes explained, in his [magisterial analysis](#) of the drivers of private investment, written in the depths of the 1930s great depression:

“ Our knowledge of the future is fluctuating vague and uncertain. Being based on so flimsy a foundation, [private investment] is subject to sudden and violent changes. New fears and hopes will, without warning, take charge of human conduct.... ”

Thus:
“ Most of our decisions to do something positive can only be taken as the result of animal spirits – a spontaneous urge

to action rather than inaction ... rather than mathematical expectations. ”

The great scholar of 20th century Latin American development, Albert Hirschman, built on Keynes' insights in a way which speaks directly to South Africa's challenges. [He conceived of the development process as a cycle](#): Two principal tasks or functions must be accomplished. The first is the unbalancing, entrepreneurial function ... Increasing social and income inequalities are an important part of this picture In time, pressures will arise to correct some of these imbalances ... This is the 'equalibrating' distributive, or reform function..... These imbalances remain acute in South Africa. A [recent study](#) shows that, as of 2015, only a quarter of the country's citizens enjoyed a level of living that could be described as stably "middle class" or better. Half of the population remained chronically poor, dependent on safety nets for survival. And the quarter in-between – who, in a thriving society, would be carriers of hope from the middle to the bottom of society – struggle, mostly in vain, to stay out of reach of destitution.

[More than other middle-income countries](#), South Africa's citizens remain either affluent or poor, with little in-between.

Erosion of optimism

Against that backdrop, it's hardly surprising that by the early 2010s South Africa saw the emergence of a vituperative political discourse. This was characterised by assaults on ["white monopoly capital"](#) on the one hand and a preoccupation with institutional decay and state capture on the other.

Hirschman witnessed a parallel erosion of optimism in Latin America: a military coup in Brazil in 1967; a massacre of students on the streets of Mexico City in 1971; the bloody assault on Chile's presidential palace in 1973, which resulted in the death of elected president Salvador Allende and the coming to power of General Augusto Pinochet.

[In a 1973 article](#), musing on this reversal, he suggested that tolerance for inequality...

“ ... is like a credit that falls due at a certain date. It is extended in the expectation that eventually the disparities will narrow again. But if the expectation.... does not occur, there is bound to be trouble and, perhaps, disaster..... Nonrealisation of the expectation that my turn will soon come will at some point result in my 'becoming furious' that is, in my turning into an enemy of the established order... No particular outward event sets off this dramatic turnaround... Rulers are not necessarily given any advance notice... ”

The Hirschman development cycle points to the way out of the downward spiral – embrace the 'reform function' as the way to revitalise hope.

But this is more easily said than done.

Given this, what might a turnaround look like in South Africa's current conjuncture? Here are some guideposts.

Guideposts

In early 2018, with the recall by the governing African National Congress (ANC) of President Jacob Zuma and the accession to the presidency of Cyril Ramaphosa, South Africa appeared to be taking a turn for the better. Indeed, the country has seen an ongoing process of some people who had been deeply complicit in corruption and associated institutional decay being removed from positions of authority.

But institutional turnaround is not enough.

The world over, political and economic agendas that fail to offer hope to the "middle" of society have turned out to be recipes for downward spirals of ethno-populism.

Can this be avoided? I believe it can if priority is given to the concerns of the quarter or so of the population stranded in South Africa's twilight zone between middle class stability and abject poverty.

Hirschman's cycle underscores that renewal comes from a revitalisation of hope among those who have been disappointed by unrealised promises. This segment of society is crucial in two ways: politically in its own right, and as a transmission belt of hope among the poorest half of the population that upward mobility is possible.

Rekindling hope

To citizens stranded in the disappointed middle, election season sounds like just another replay of empty promises. Jobs? Better institutions? They've heard it all before.

A genuine, visible – and, crucially, well-financed – commitment needs to be made across society to invest in ladders of opportunity and inclusion. This would offer a tangible basis for hope, especially for young people.

The [weaknesses](#) in South Africa's ladders of opportunity [are different](#) - and the [challenges more readily addressable](#) - than those usually emphasised in country's blame-centric political culture.

Visible gains have the potential to unlock the most crucial ingredient of all – a renewed sense of agency, of hope that, working together, South Africa's citizens indeed have it in their power to build a future with a real prospect of a better life for all.

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