



Response

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The 2017 Budget: A House Divided

We have come to expect certain things of Minister Pravin Gordhan's budget speeches: moderation, rectitude, reassurance, calmness, predictability. There are no real surprises, but somehow, despite major constraints, he manages to keep social spending up and to maintain a broadly redistributive tax framework.

Mr Gordhan has been fated to be Finance Minister in the lean years. It is not for him to be handing out tax-cuts and freebies the way his predecessor Trevor Manuel did in the decade before the 2008/9 financial crisis. And yet, all but the super-rich can find something in the budget to give them comfort, if not overt joy. The 17 million recipients of social grants will all get an increase that at least comes close to the rise in cost of living over the last year; low income earners find that their income tax threshold has been lifted; people buying properties of up to R900 000 are exempted from paying transfer duty; those with a bit of money to spare can save more of it tax-free.

At the other end of the income scale, the truly wealthy (including, it should be noted, all cabinet ministers, provincial premiers, and metropolitan mayors) will have to pay tax of 45% on whatever they earn above R1.5 million. This is good; such people have a massive stake in the stability of the country, the safety of its streets, and the certainty of its legal and regulatory systems. They benefit disproportionately from these public goods and they should pay for them accordingly. If they try to be clever, and elect to be paid in company dividends rather than salary, they will find that the withholding tax on those dividends has been increased too.

Here, Mr Gordhan was emphasising the need for renewed social solidarity, the need for those who benefit most from the economy to respond appropriately to those on its margins. Given the reference to solidarity, a concept at the heart of Catholic social thought, it was fitting that Mr Gordhan quoted Pope Francis in order to underline his point: "Reforming the social structures which perpetuate poverty and the exclusion of the poor first requires a conversion of mind and heart".

So Mr Gordhan has once again negotiated difficult budgetary terrain, offering a judicious carrot here, and waving an admonitory stick there. To judge by the reaction, both during the speech and afterwards, most ANC MPs, virtually the whole of the Opposition, civil society generally, the non-Gupta media, and the great majority of economic and political analysts, all had that warm feeling of unity in the face of challenge; the sense, to quote what seems to have become Mr Gordhan's war-cry, that 'when lions hunt together they can bring down the biggest buffalo.'

Unfortunately though, too many of the people who matter most in our county are pulling in the opposite direction, and they threaten to completely undo Mr Gordhan's efforts in their pursuit of narrow and short-term goals. Three examples of this will suffice:

1. While Mr Gordhan and the Treasury maintain that we must not buy what we cannot afford, and that our national debt (now over R2 trillion) must be reduced, his cabinet colleagues in charge of energy and state enterprises are pressing ahead with plans to spend at least R1 trillion on nuclear energy, even as demand for electricity is declining and the amount of power available from sustainable sources is increasing.

2. While Mr Gordhan and his deputy, Mcebisi Jonas, have been fighting hard to protect the National Treasury and the Public Investment Corporation (PIC, the biggest single fund of money in the country) from undue outside influence, the ANC has just 'deployed' to Parliament a former head of the PIC, and former Eskom chief executive, Brian Molefe. Mr Molefe has not come to the National Assembly to keep an anonymous back-bench seat warm; he will in all likelihood take Mr Jonas's place within a month or two and, as deputy finance minister, he will chair the board of the PIC. Mr Molefe's deployment comes despite his being named in the Public Protector's *State of Capture* report as having had suspicious ties to the Gupta family; and despite his having disingenuously attempted to pretend that he was visiting an unnamed shebeen in Saxonwold, rather than the Gupta residence, when his cellphone records placed him in the vicinity. If he, or those who appointed him, had a proper sense of integrity, they would have waited for his name to be cleared before making him an MP.

3. A mere week or two before Mr Gordhan presented his budget in which, as we have seen, he gave the poor and indigent grant increase that barely kept pace with inflation, and in which he repeatedly stressed the need for discipline and restraint, his colleagues the Minister and Deputy Minister of Mineral Resources managed to spend more than R2.6 million on a Mercedes-Benz and a Porsche respectively. Each of these cars came in at around R600 000 more than the price cap previously set for ministerial vehicles.

These three examples – and many more come to mind – illustrate the essence of the problem. Mr Gordhan and his team can do their jobs with competence and assurance year in and year out, but they are fighting more and more against their own colleagues and comrades, rather than against external forces. When an ANC finance minister is the darling of the DA, the EFF, the IFP and the rest of the opposition, but is reviled by the most powerful faction in his own party, we have a serious and untenable contradiction. The house is divided; and when it falls it may well take our economy with it.

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