

Macroeconomic and finance policies for social development and economic transformation

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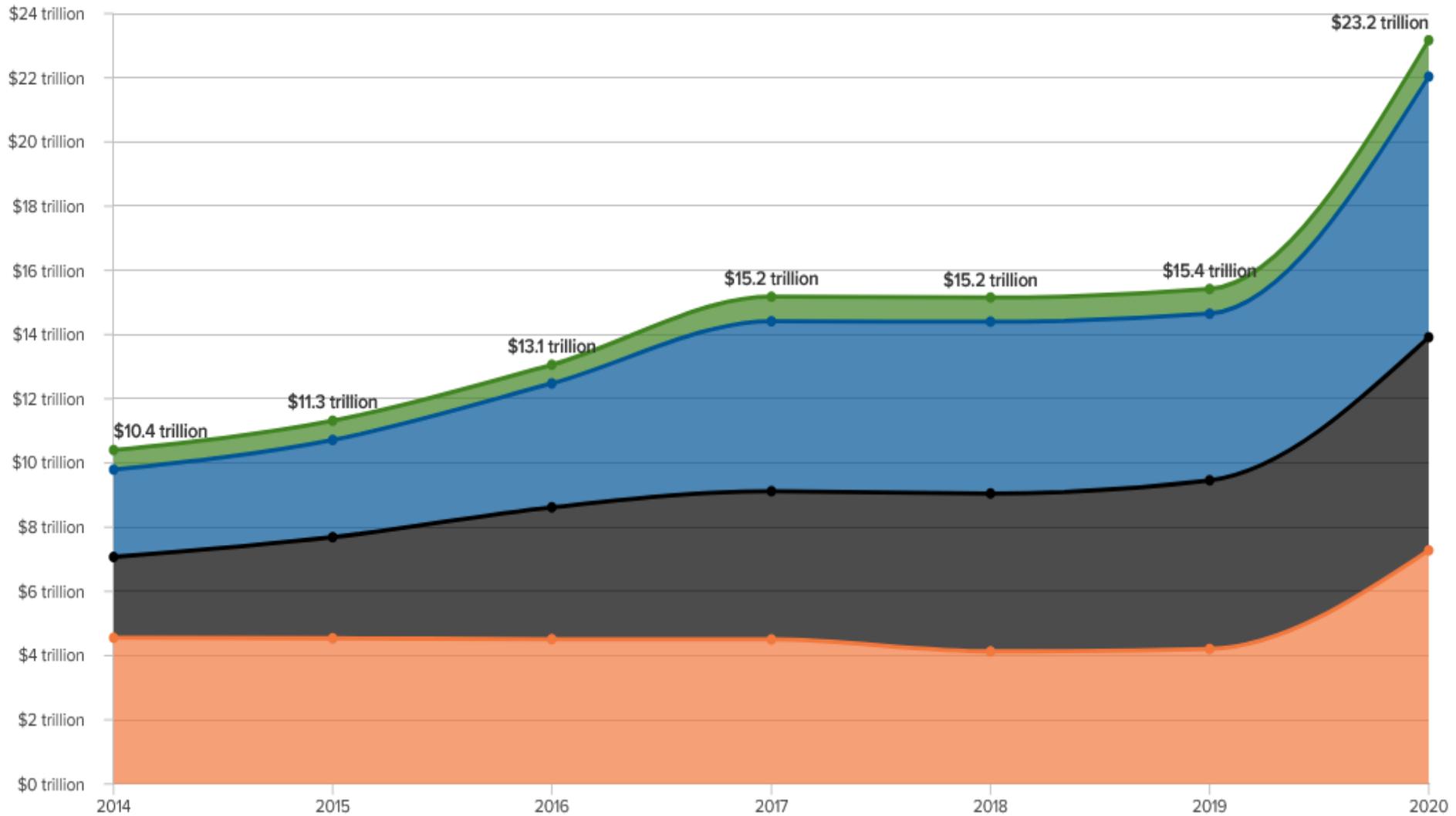
TIPS Forum

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2 questions and a comment to start:

- Why is the South African discussion on economic transformation so depleted of analyses of macroeconomics and finance? And, why does it sound like 1990s no-liberal thinking?
- Why are the huge changes in how macroeconomic – both monetary and fiscal policy and practice – and the major changes in the global financial architecture and operation of the global financial system not a more intrinsic part of our discussion of social development and economic transformation.
- These changes are so large and momentous that even the most specialized microeconomists and industry sector specialists really do not have an excuse for not seriously considering the impacts of global integration, finance and macroeconomic practice.

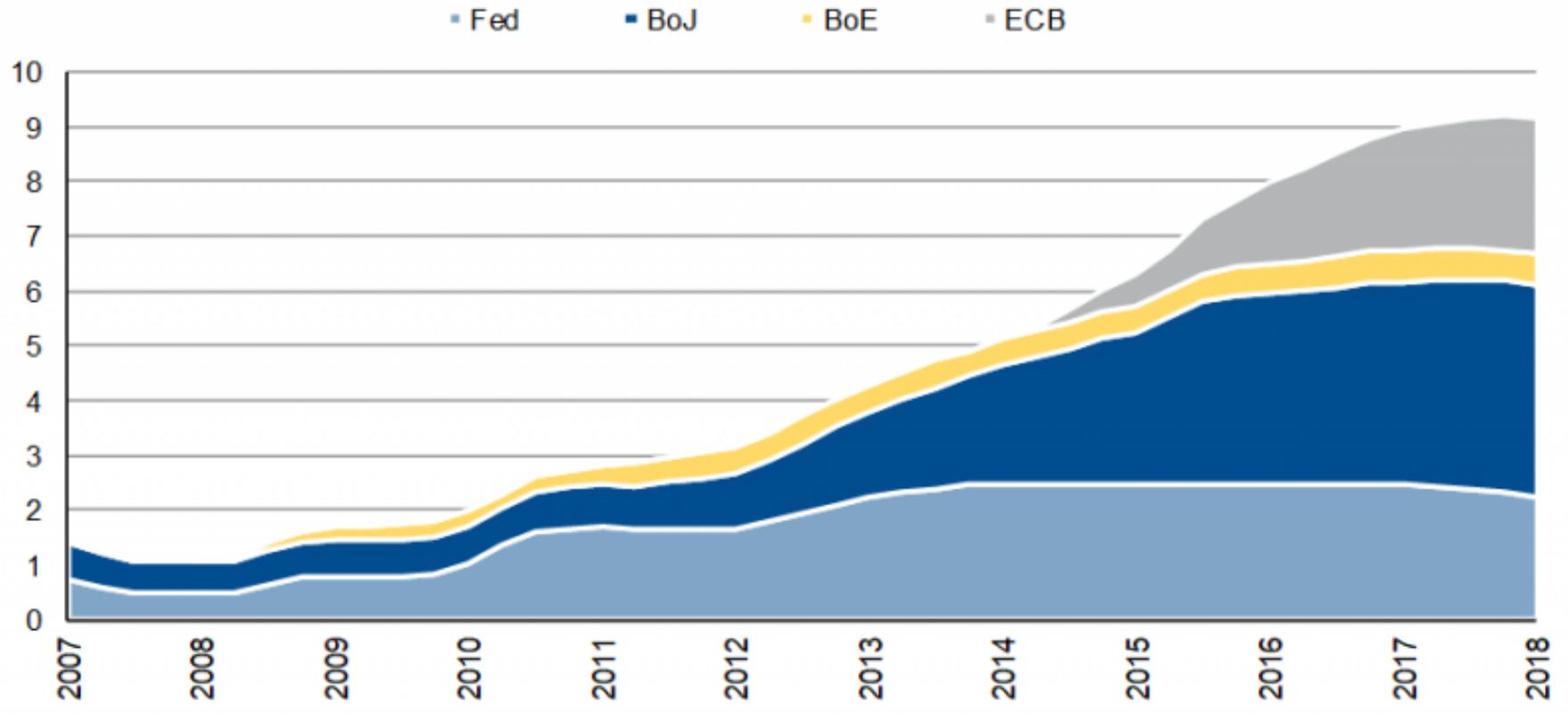
Federal Reserve Bank of Japan European Central Bank Bank of England



Data gathered from individual central bank balance sheets, 2020 numbers reflect most recent available data

A Flourish data visualization

Source: <https://www.atlanticcouncil.org/blogs/econographics/global-qe-tracker/>



What has happened?

- The fact that what was “unconventional” monetary policy a decade ago has through practice become “conventional” has a huge bearing on everything.
- The fact that mainstream neoclassical economists of all stripes are questioning their previous beliefs that fiscal policy is ineffective and should be avoided at all costs should at least cause most people working on policy to pause and think about fiscal policy in South Africa
- However, there is a general refrain that South Africa is in a fiscal crisis, that government cannot afford to spend more. That the levels of debt are unsustainable. We fear the “fiscal cliff”

How do we move forward?

- Can we trust the government and its officials?
 - Can Mazzucatto's appeal to change the way we think about the state and its employees happen in South Africa.
 - Can we move towards recognizing capabilities that exist, reward existing competence and build greater capacity where the discourse shifts from the neoliberal distrust of the state towards one where we see state employees working in the public good and nurture their confidence, creativity and support innovation

Can we undo the damage of decades of neoliberal economic beliefs

- Can we shift the approach to economics away from neoliberal supply-side thinking towards a focus on aggregate demand, full employment and ensuring social security
- Economic development and transformation should be driven from the view that the state should ensure adequate and progressive improvement in the provision of people's needs and support development of productive economic activities
- The state should play the role of employer of last resort

Final question

Are societies where the state sets a higher minimum standard of living capable of greater development and achievement than societies where states choose to allow extractive pillage, rapidly rising inequality and squalour?