The forces at play in the political economy today

13 November 2020

Theo Venter

Policy Specialist

North-West Business School

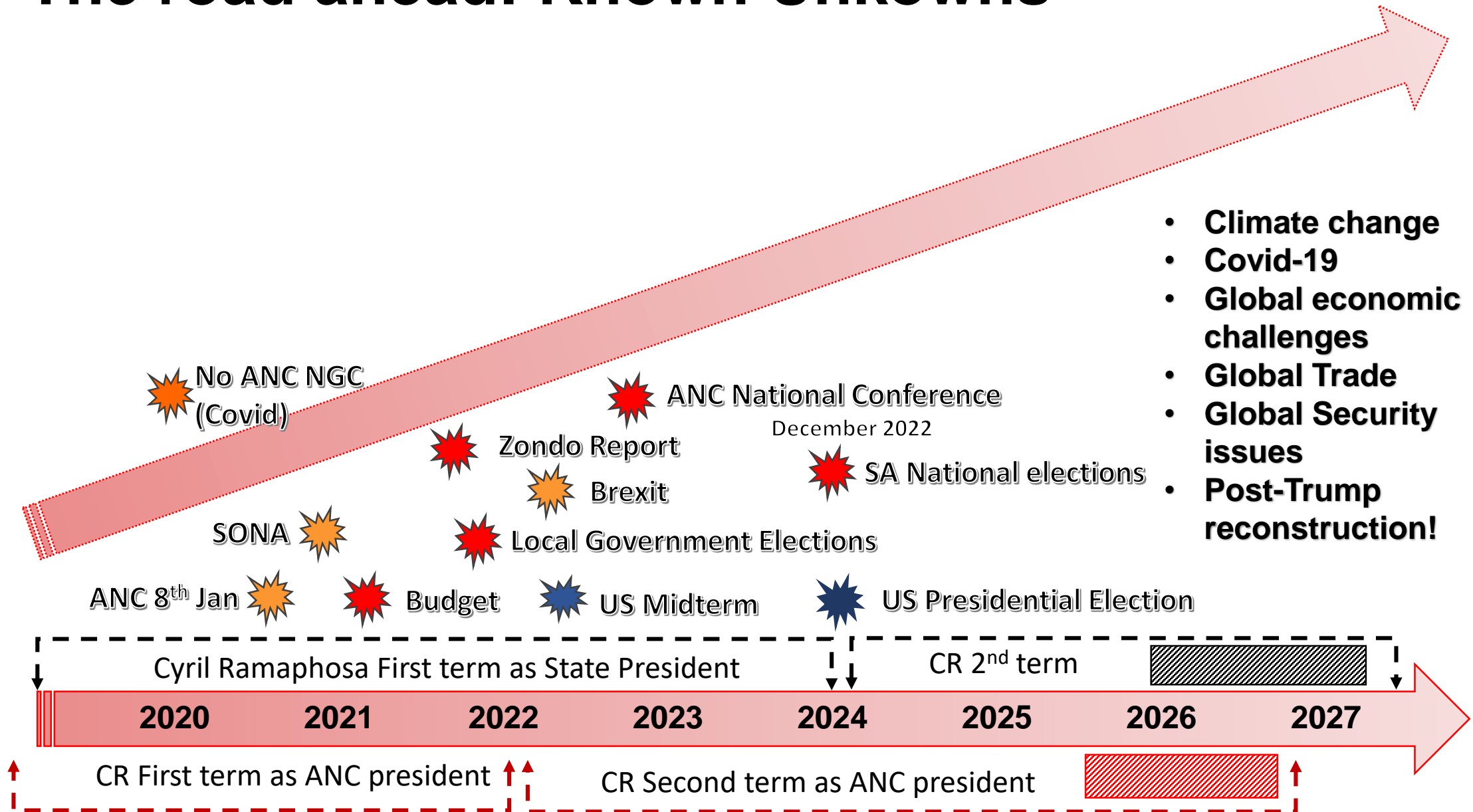*theo.venter@nwu.ac.za*

@theo_venter

NWU BUSINESS SCHOOL

agbiz
agricultural business chamber
the way to prosperity

sa   local government crisis   renewable energy

volatility   development   management

poor services delivery   global climate change   mining

drought management

north west   driver

vuca   complexity

nwp

climate change   health services

state of politics   water   sep

ambiguity   covid-19   nw business school

nwbs

state of agriculture   uncertainty

rural context   novel corona virus

global competitive index

management of health

Outline
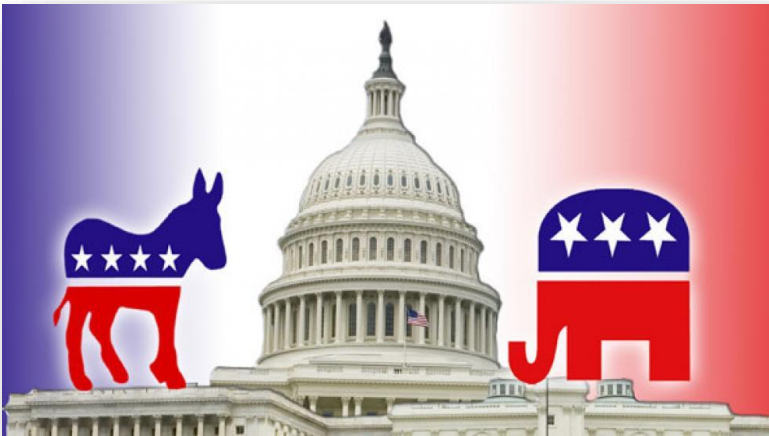
1. Looking at the future

2. Global Risks

3. US Presidential election

4. SA Politics
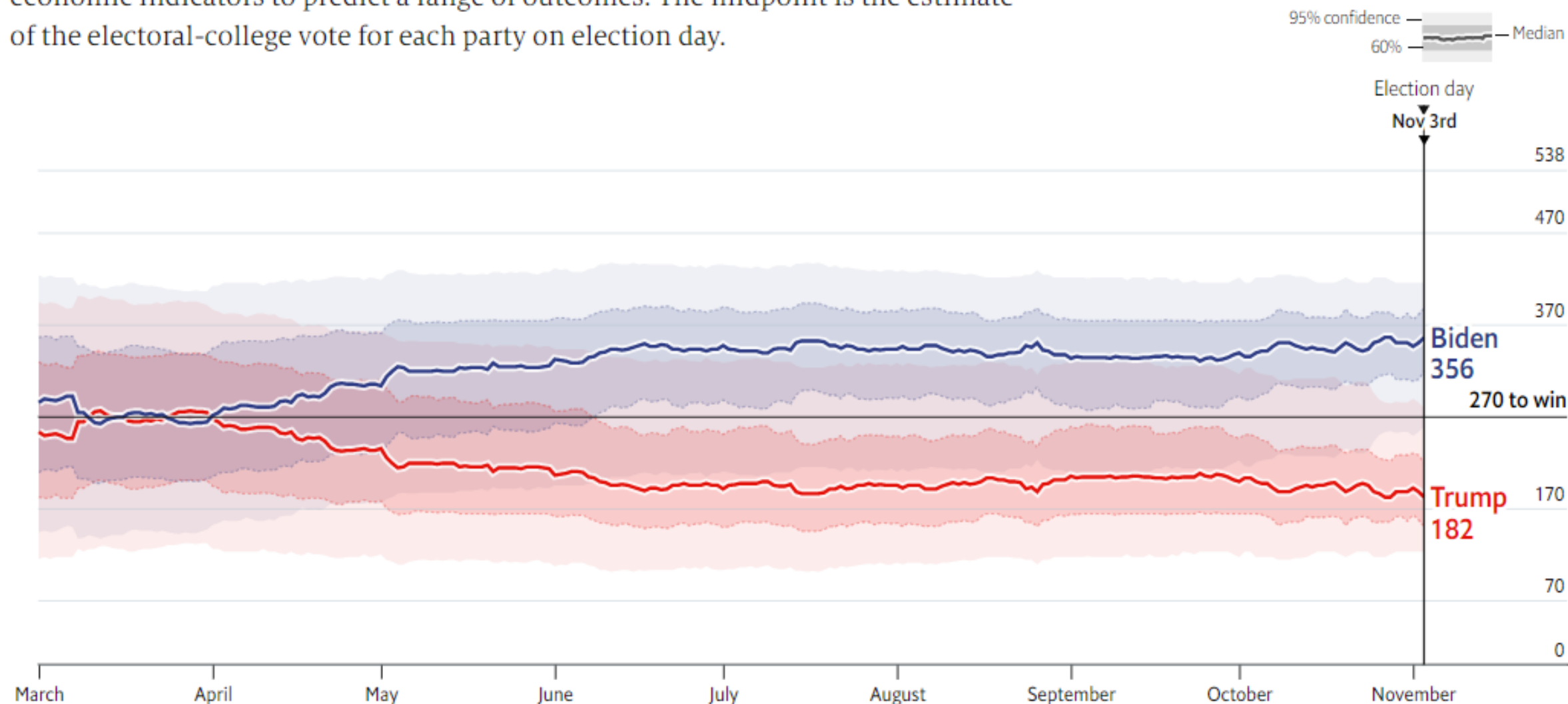
5. 2021 is waiting…..

The road ahead: Known Unkowns

- **Climate change**
- **Covid-19**
- **Global economic challenges**
- **Global Trade**
- **Global Security issues**
- **Post-Trump reconstruction!**

No ANC NGC (Covid)

ANC National Conference
December 2022

Zondo Report

SA National elections

Brexit

SONA

Local Government Elections

ANC 8th Jan   Budget   US Midterm   US Presidential Election

Cyril Ramaphosa First term as State President   CR 2nd term

| 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |

CR First term as ANC president   CR Second term as ANC president

The 2020 Election in the USA

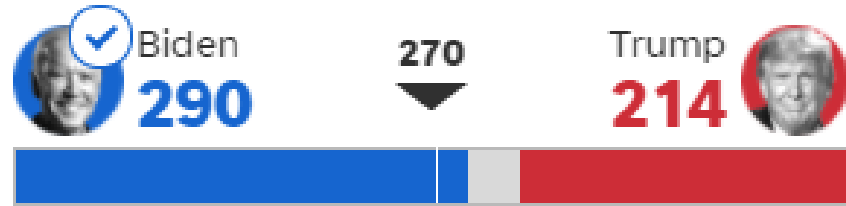## The Presidential Race

NWU ®
BUSINESS SCHOOL

Estimated electoral college votes

Our model is updated every day and combines state and national polls with economic indicators to predict a range of outcomes. The midpoint is the estimate of the electoral-college vote for each party on election day.
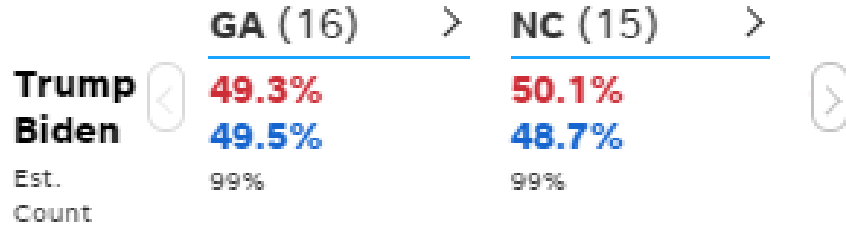
95% confidence — ▭ — Median
60% — ▭
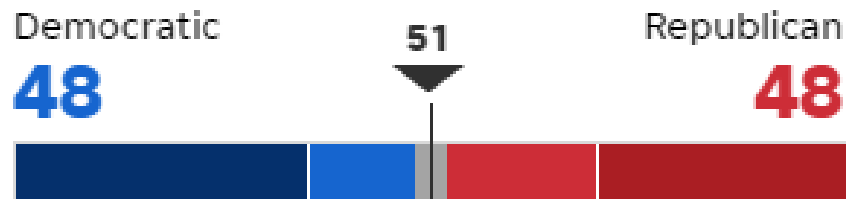
Election day
Nov 3rd

538

470

370

Biden
356

270 to win

Trump
182

170

70

0

March   April   May   June   July   August   September   October   November
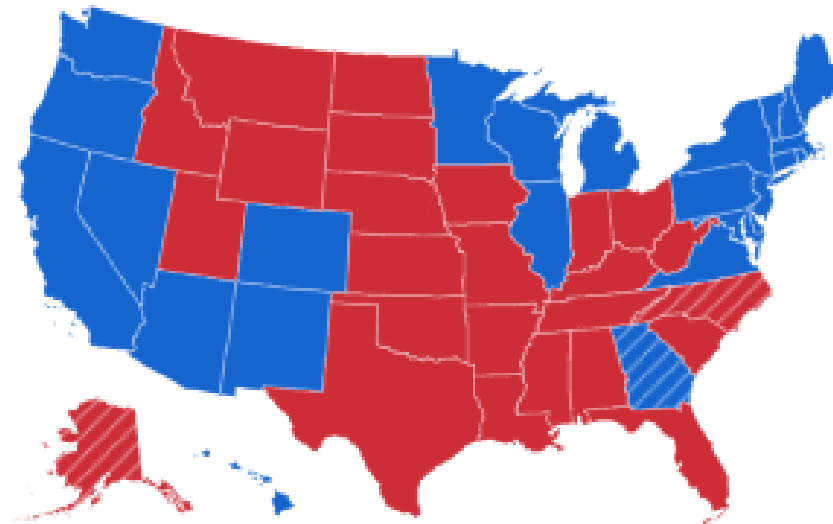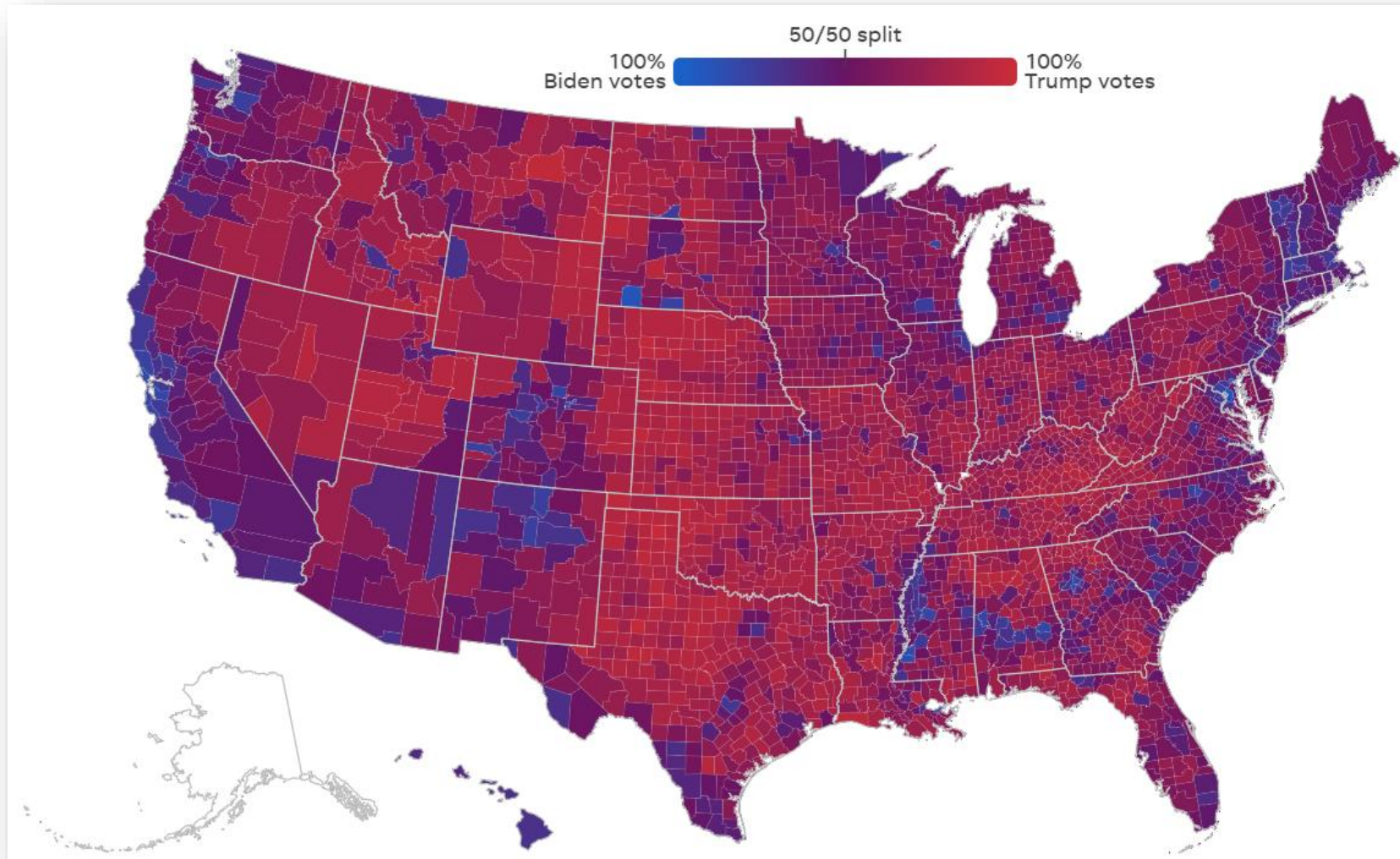
US Election Outcome

- Covid-19 game changer.
- Highest ever voter turnout.
- 100m early and postal votes
- 150m votes (+62% turnout).
- Biden ± 78m votes and Trump ± 73m votes.
- Composition of House and Senate as important.
- A post-Trump world!

US Election Outcome

- Demography determines popular vote.
- Women (53%) of the voting public already showed anti-Trump sentiment in 2018 Midterm.
- Civil unrest within a pandemic (BLM).
- Referendum on Trump
- Democrats lost seats in House of Representatives.
- Latinos (18%) voted Trump
- Blacks (13%) voted Biden.

US Election Outcome
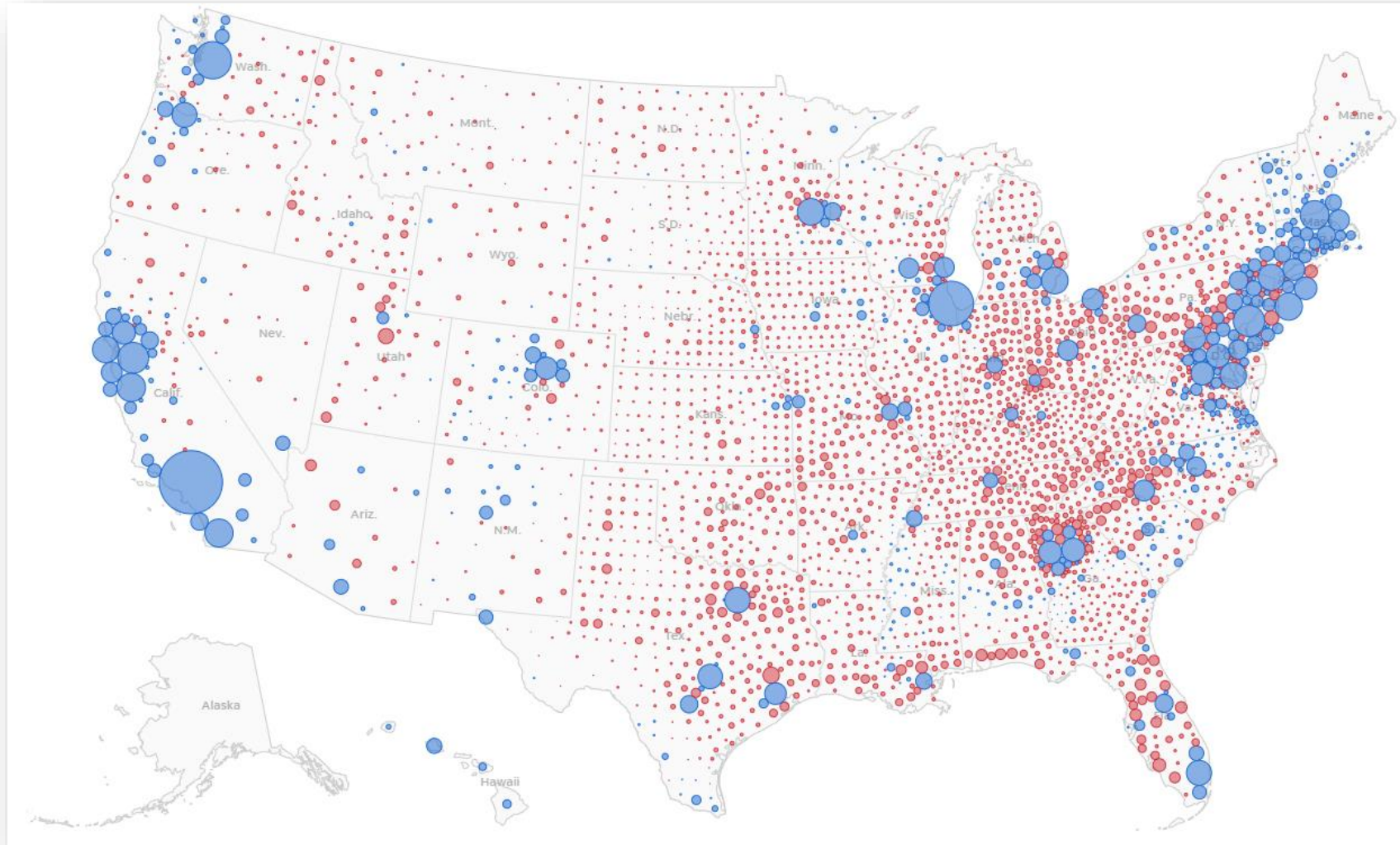
- Electoral College determine who will be president.

- 270 Electoral votes required.

- 50 State elections takes place.

- Each state certifies own election in mid-December and choose electors.

- Once electors voted, you may call yourself "President-Elect" (Technical).

- Electors may vote their own mind/ conscious, but has never happened.

- Demography determines popular vote.

Biden inherits a divided country

The 2020 Election in the USA

What if Joe Biden wins?
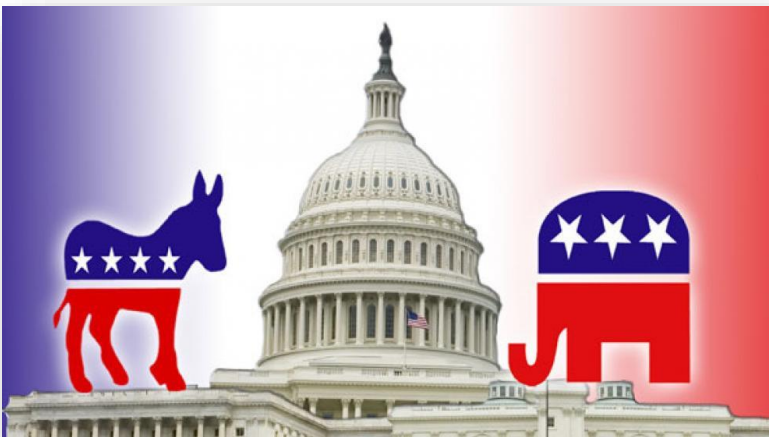
- The Biden Administration will inherit a very difficult situation.
- Democrats will have to manage expectations in terms of immigration and healthcare.
- Economic uncertainty in the post-Covid era would be a major challenge.
- The role of Senate will be critical. A Republican Senate will be a difficult political animal.
- Trump will still play a role, despite losing.
- The Supreme Court will be a conservative court and that will not change quickly.
- Europe and NATO will relax their relationship with the US.
- China, Russia, Iran and North Korea will experience a different US foreign policy.
- The Middle East, especially Turkey and Israel may experience difficulty.
- Trade relations will be renegotiated.
- US will re-join global climate initiatives.
- The relationship with the UN and the WHO will be restored.
- More relaxed relationship with SA Government (AGOA).

Global Risk Assessment in a pre-Covid-19 world early 2020

Just how quick a situation can totally change – a black swan event.

Global Risks: Possible Likelihood (January 2020)

	2015	2016	2017	2018	2019	2020
1	Interstate conflict	Involuntary migration	Extreme weather	Extreme weather	Extreme weather	Extreme weather
2	Extreme weather	Extreme weather	Involuntary migration	Natural disasters	Climate action failure	Climate action failure
3	Failure of national governance	Climate action failure	Natural disasters	Cyberattacks	Natural disasters	Natural disasters
4	State collapse or crisis	Interstate conflict	Terrorist attacks	Data fraud or theft	Data fraud or theft	Biodiversity loss
5	Unemployment	Natural catastrophes	Data fraud or theft	Climate action failure	Cyberattacks	Human-made environmental disasters

■ Economic ■ Environmental ■ Geopolitical ■ Societal ■ Technological

Global Risks: Possible Impact (January 2020)

2015	2016	2017	2018	2019	2020
Water crises	Climate action failure	Weapons of mass destruction	Weapons of mass destruction	Weapons of mass destruction	Climate action failure
Infectious diseases	Weapons of mass destruction	Extreme weather	Extreme weather	Climate action failure	Weapons of mass destruction
Weapons of mass destruction	Water crises	Water crises	Natural disasters	Extreme weather	Biodiversity loss
Interstate conflict	Involuntary migration	Natural disasters	Climate action failure	Water crises	Extreme weather
Climate action failure	Energy price shock	Climate action failure	Water crises	Natural disasters	Water crises

■ Economic   ■ Environmental   ■ Geopolitical   ■ Societal   ■ Technological

Greatest Concerns for the Post Covid-19 World
Top 31 Risks in a WEF Survey

ECONOMIC	SOCIETAL	GEOPOLITICAL	TECH	ENVIRONMENTAL	
Prolonged global recession					58.5%
High unemployment					43.8%
Another disease outbreak					40.1%
Weakening major economies					39.2%
Industries fail to recover					35.4%
More bankruptcies/consolidation					35.2%
More restricted travel/trade movement					34.0%
Emerging market collapse					33.7%
Prolonged supply chain disruption					33.7%
Geopolitical exploitation of COVID-19 crisis					28.5%
Weakened social security					27.7%

Greatest Concerns for the Post Covid-19 World (ii)
Top 31 Risks in a WEF Survey

Risk	Percentage
Worsened humanitarian crises (due to reduced foreign aid)	27.4%
Remote working cyberattacks	25.4%
Worsened inequality/social divisions	25.1%
Sharp increase in global inflation	25.1%
Govt. retaining emergency powers/erosion of civil liberty	24.8%
Healthcare becomes too expensive/ineffective	23.9%
Increased automation-related unemployment	18.7%
Nationalization of industries	17.6%
Worsened mental health	17.0%
Political dissent and government distrust	17.0%

■ ECONOMIC ■ SOCIETAL ■ GEOPOLITICAL ■ TECH ■ ENVIRONMENTAL

Greatest Concerns for the Post Covid-19 World (iii)
Top 31 Risks in a WEF Survey

Risk	Percentage
Lower foreign direct investment (FDI)	16.4%
Failure to invest in climate strategies	16.1%
Lack of support/investment for global crisis response	15.0%
Less retirement/pension savings	13.0%
Decline in global decarbonization efforts	11.2%
Failure of education/training to adapt to prolonged crisis	9.2%
IT breakdown	8.4%
Worsened long-term military conflicts	7.2%
Abrupt technology adoption	6.3%
Higher anti-business sentiment	3.2%

SOURCE: World Economic Forum COVID-19 Risks Outlook

■ ECONOMIC ■ SOCIETAL ■ GEOPOLITICAL ■ TECH ■ ENVIRONMENTAL

The socio-political challenges for South-Africa during Covid-19

The Ramaphosa-Magashule game: An extended High Noon at the OK Corel (a.k.a. Luthuli House)
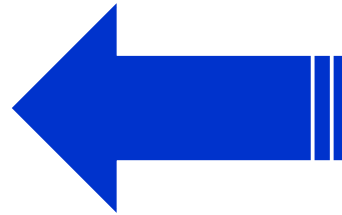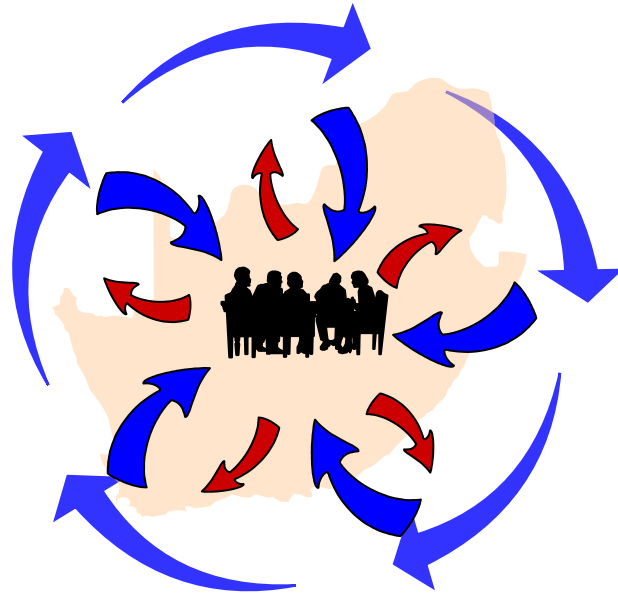
The Tito Cha-Cha: Cutting state spending and a smaller civil service.

The Zondo Manoeuvre: Unpacking state capture and deny the political crooks their oxygen. It is slow, painful but thorough….
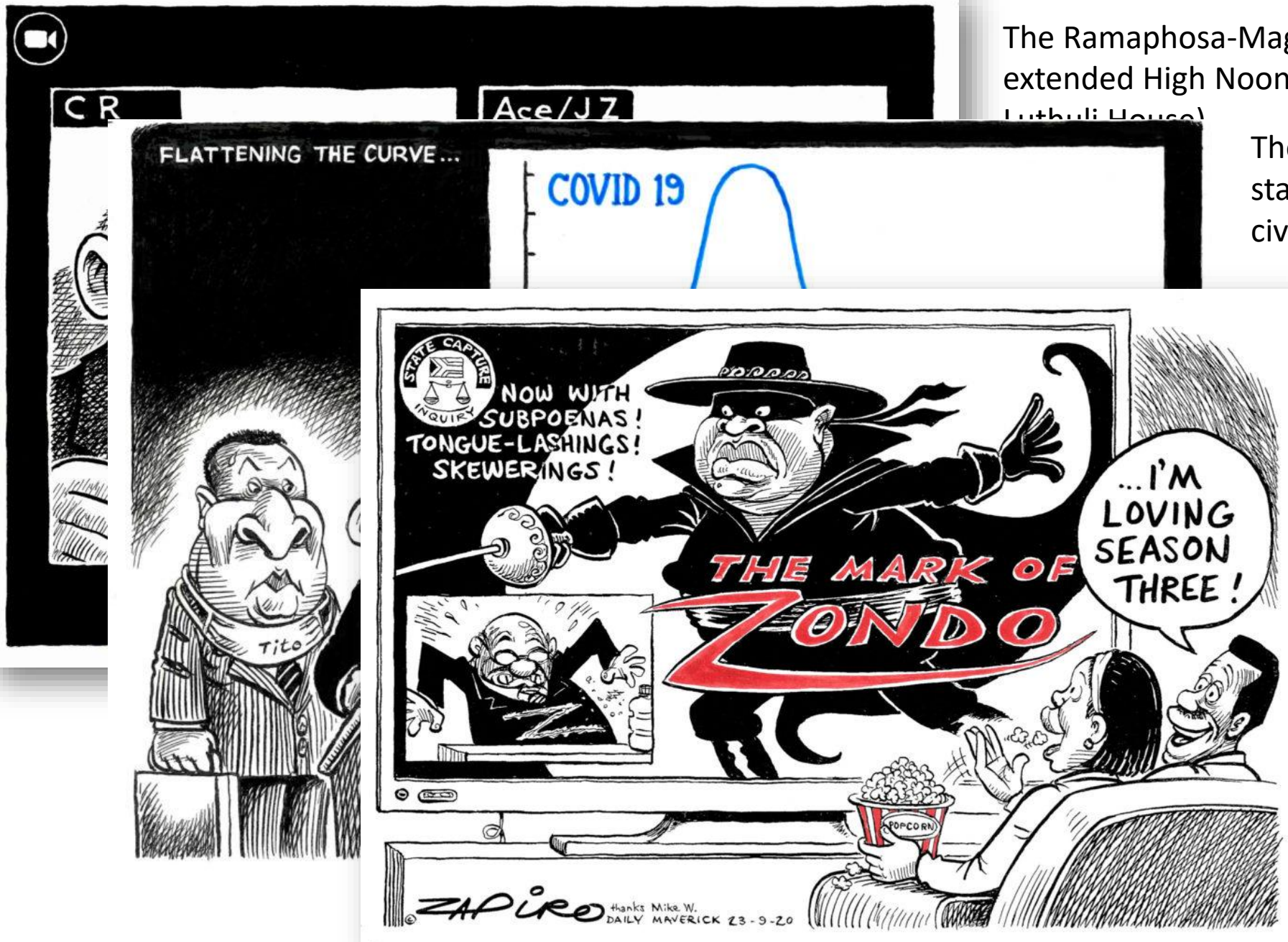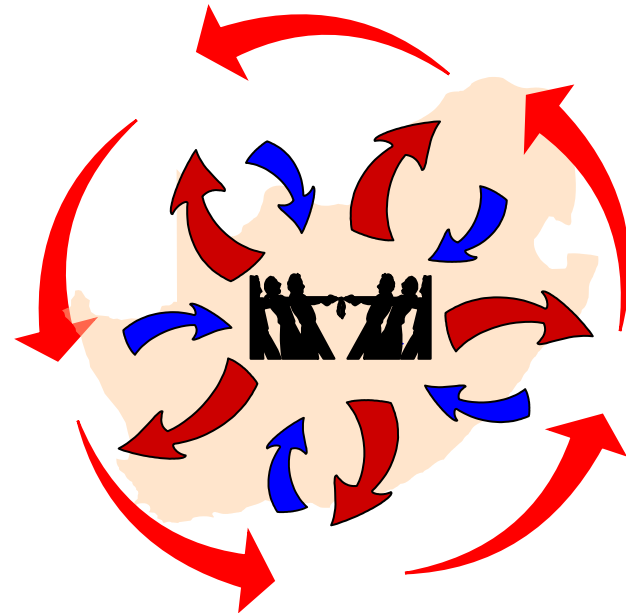
The Virtuous and Vicious Cycles
The focus of the Ramaphosa Presidency

Virtuous Cycle
Centripetal forces dominate
("Seeking the centre")

Push-back from within the ANC

Vicious Cycle
Centrifugal forces dominate
**("Moving away from the centre")**

The Ramaphosa presidency (blue) is build on the following:

- To get the economy going through several policies and projects.

- To end corruption and to strengthen the legal system.

- To reactivate the NDP as a national project.

- To undo the legacy of the Zuma years of state capture.

- To develop a capable state.

Opposition to Ramaphosa not really from opposition parties, but primarily from within the ANC (red):

- Undermine his policies.

- Continue corrupt activities.

- Factionalism in the ANC.

- Exploit Covid 19 crisis.

GDP Growth and the Political Climate*

Source: BER; SARB: MFA DATABASE

REAL GDP GROWTH %   POLITICAL CONSTRAINT (INVERTED)
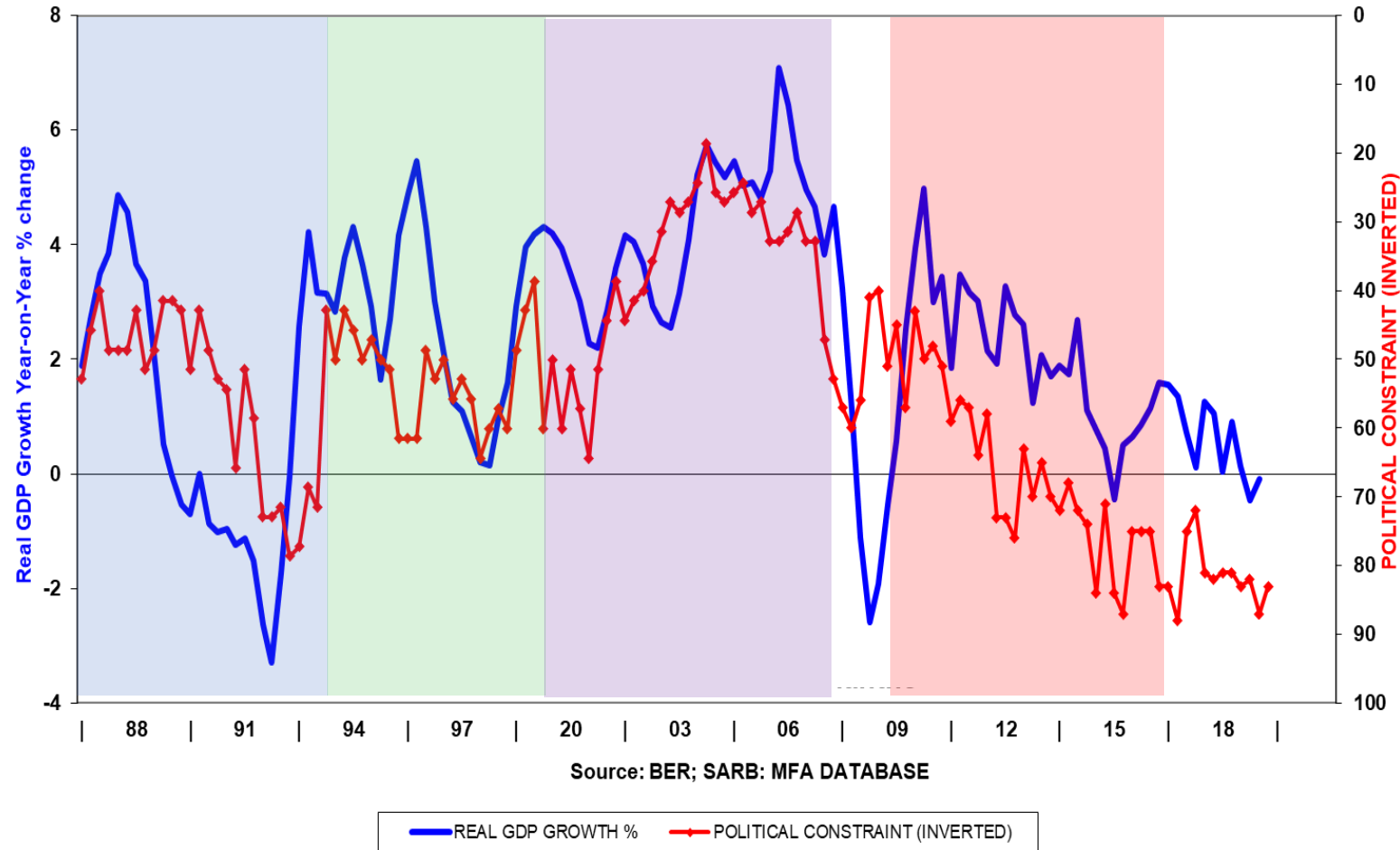
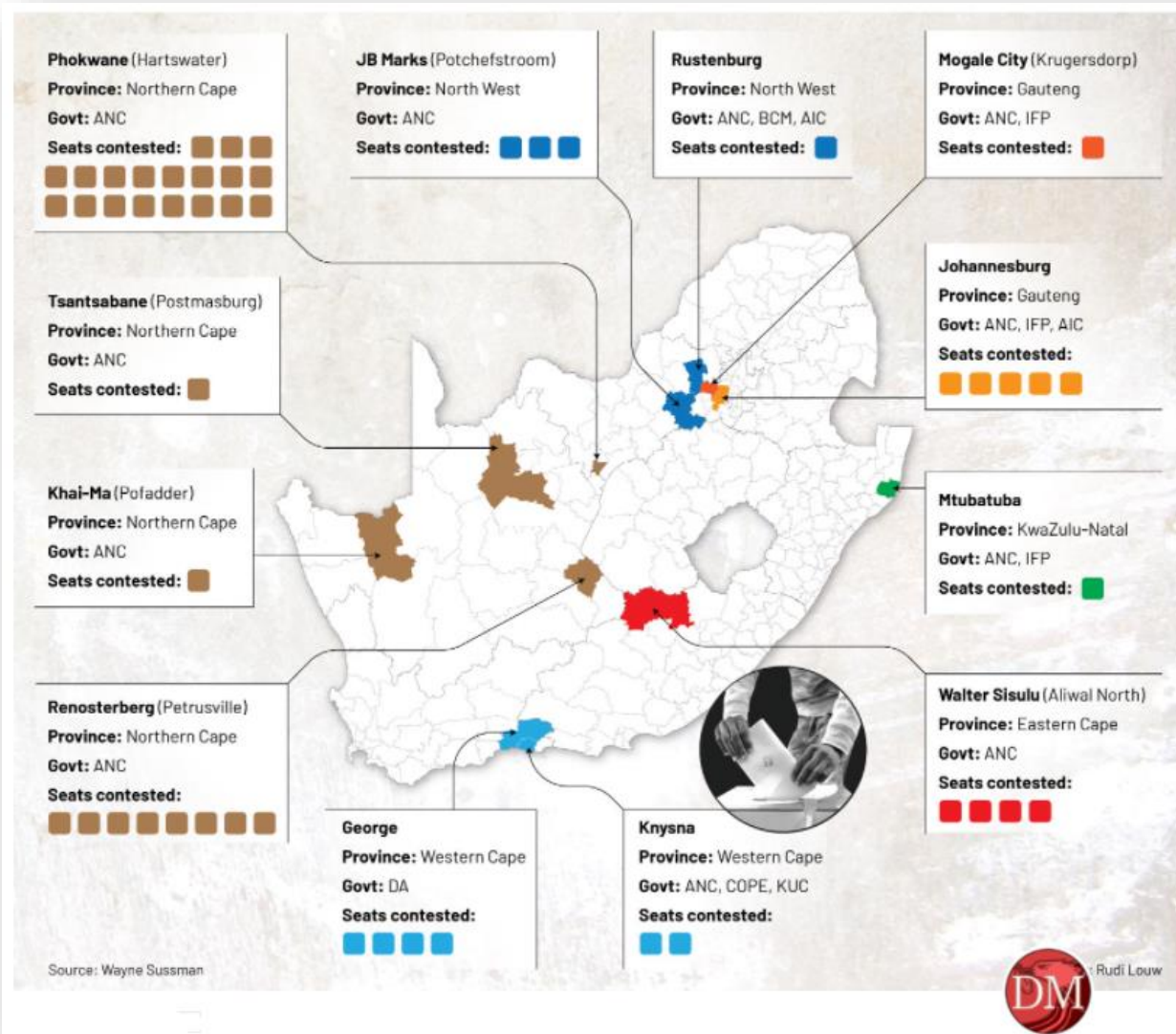**The % change in GDP (blue graph) shows the following:**

- Economy grows on average at 3,5% until 2010 and then the decline starts

- RSA got through the 2008-2009 Global Banking crisis well.

- The Nene crisis in 2015 was a severe shock on the system

- The nine lost years of Jacob Zuma 2009 to 2018 clearly visible.

- Ramaphosa having a hard time energizing the economy since 2018.

Political climate (red graph) shows:

- Positive when the economy grows.

- Negative when the economy in decline.

- The Zuma years dominate by state capture constitute longest period of negative political climate since 1987.

* Real year-on-year % GDP growth and the political constraint as measured by the BER (US) from 1987 -2020

It's by-election Super Wednesday in South Africa

Source: Wayne Sussman

Phokwane (Hartswater)
Province: Northern Cape
Govt: ANC
Seats contested:

Tsantsabane (Postmasburg)
Province: Northern Cape
Govt: ANC
Seats contested:

Khai-Ma (Pofadder)
Province: Northern Cape
Govt: ANC
Seats contested:

Renosterberg (Petrusville)
Province: Northern Cape
Govt: ANC
Seats contested:

JB Marks (Potchefstroom)
Province: North West
Govt: ANC
Seats contested:

Rustenburg
Province: North West
Govt: ANC, BCM, AIC
Seats contested:

Mogale City (Krugersdorp)
Province: Gauteng
Govt: ANC, IFP
Seats contested:

Johannesburg
Province: Gauteng
Govt: ANC, IFP, AIC
Seats contested:

Mtubatuba
Province: KwaZulu-Natal
Govt: ANC, IFP
Seats contested:

Walter Sisulu (Aliwal North)
Province: Eastern Cape
Govt: ANC
Seats contested:

George
Province: Western Cape
Govt: DA
Seats contested:

Knysna
Province: Western Cape
Govt: ANC, COPE, KUC
Seats contested:

Rudi Louw

- Largest election on single day. Continue on 18 Nov.

- 107 Councillors in 95 wards

- ANC retained 64 wards; lost 2 wards and won 6 new wards.

- DA retained 14 wards; lost 9 wards and won 2 new wards.

- IFP retained 4 wards and won 1 new ward.

- Patriotic Alliance won one new ward.

- Good Party won one new ward.

- Al Jama-Ah won one new ward.

- Vryheidsfront Plus won one new ward.

- National Freedom Party lost one ward.

- United Front of Civics Party lost one ward.

Conclusion

11 November 2020

Theo Venter

Policy Specialist

North-West Business School

theo.venter@nwu.ac.za

@theo_venter

1. Covid-19 created enormous socio-economic challenges for an already weak South African economy.

2. Crisis always create new opportunities and stimulate innovation.

3. Covid provided Ramaphosa to consolidate position within the ANC.

4. No ANC NGC took place in 2020.

5. NPA has emerged from the destruction caused by Zuma – at least now acknowledged as our most corrupt president!

6. Covid took some of the energy out of land reform – new Expropriation Bill designed on the existing Constitution.

7. Government took a new interest in Rural safety and security – the value of agriculture.

8. Local government will have to be redesigned – current model is not working and the DDM does not change much.

9. Covid was not only an economic reset, but also a political reset. Local government elections will show the way.

Thanks for your kind attention!

Watch out for.....

But enjoy the Christmas holidays...
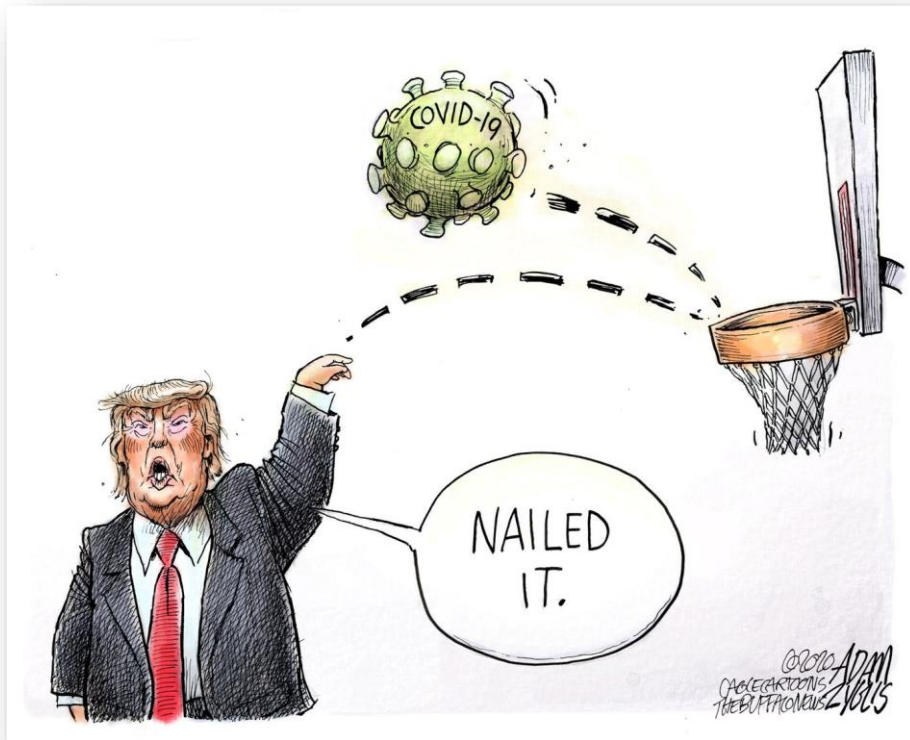
The politicians favourite.....declaring victory too soon!