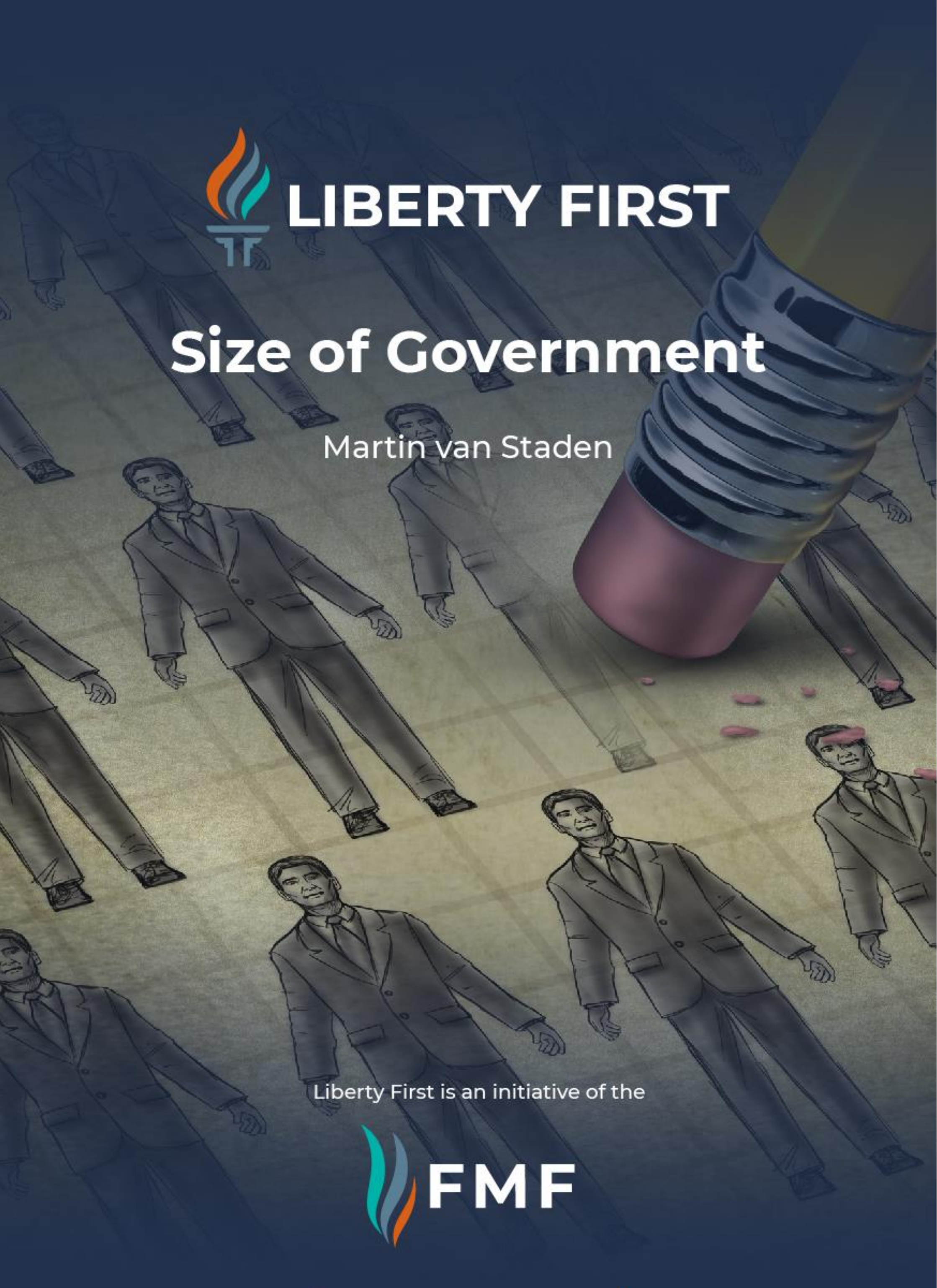

LIBERTY FIRST

Size of Government

Martin van Staden

Liberty First is an initiative of the

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Liberty First
Size of Government

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Series Preface

On 29 May 2024, South Africa conducted its 7th election since the transition to constitutional democracy three decades prior in April 1994. In 1994, the African National Congress (ANC) thundered to power and acquired 63% of the seats in the National Assembly, a percentage it improved to 66.5% in the 1999 election, and finally to 69.69% in 2004. Since then, the ANC has been progressively losing vote share.

The ANC's liberalisation of the economy in the 1990s rewarded it with increasing democratic mandates, culminating in its significant mandate in the 2004 general elections in 2004. However, in the wake of the global financial crisis and the election of Jacob Zuma to the presidency of the ANC in the late 2000s, the ruling party abandoned this policy approach and adopted something approximating outright socialism as the lodestar for policymaking. Predictably, this resulted in worsening socio-economic outcomes.

Today unemployment in South Africa stands at 32.9% – the highest in the world – and South Africa has for the past decade (since 2013) averaged less than 1% annual growth in GDP per capita.

At the 2024 general election, the ANC lost its absolute hold on political power when it secured only 40% of the seats in the National Assembly, forcing it, for the first time, to share power nationally with parties formerly in opposition. This led to, among others, the Democratic Alliance (DA), Inkatha Freedom Party (IFP), and the Freedom Front Plus (FF+), all parties with historically more pro-market policy perspectives, being included in the so-called "Government of National Unity" (GNU) formed on 30 June 2024.

The outcome of this election has, once again, left the door towards fundamental policy reform ajar. In recognition of this potential and of the severity of the present situation, the Free Market Foundation (FMF) has launched its *Liberty First* initiative to place practical solutions at the feet of policymakers that would meaningfully change socio-economic outcomes.

These solutions are premised on the Fraser Institute's *Economic Freedom of the World* (EFW) annual report, which clearly sets out the kinds of policies that produce "economic freedom" around the world, and those that detract from economic freedom. Where the EFW is compared to indices on human development, mortality, democracy, civil liberty, press freedom, happiness, and so forth, it is evident that countries scoring highly on economic freedom produce better social outcomes, than countries with more interventionist governments.

The FMF therefore published this series of papers, with each covering one of the five categories that the EFW measures – Size of Government, Regulation, Sound Money, Freedom to Trade Internationally, and Legal System & Property Rights – setting out the reforms the GNU, or any subsequent government, can implement to climb the EFW ranks and follow the charted course of prosperity for all.

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Introduction

A peculiar thing has occurred in South Africa whereby the rhetoric of "civil service" and "civil servants" is commonly utilised, but where tangibly society has become the servants of an ever-expanding, increasingly reckless, always contemptuous, government bureaucracy. This has resulted in severe fiscal irresponsibility by politicians and officials working with money that is not their own, while expecting taxpayers to pay increasing amounts to fund further recklessness.

The size and scope of government in the lives of ordinary South Africans is a crucial metric for determining the presence or absence of economic freedom as defined by the *Economic Freedom of the World* (EFW) annual report. A larger government – measured both in terms of the total population of government workers and the extent of its reach through expenditure and state monopolies – means a proportionally smaller civic sector.

A growing government bureaucracy crowds private actors out and places more economic resources at the disposal not of producers and consumers, but in the hands of politically motivated and driven state actors lacking many of the incentives that the former would have to utilise the resources efficiently.

Section 195(1)(b) of the Constitution provides that one of the basic values and principles governing the public administration – which includes all spheres of government, organs of state, and state-owned enterprises – is that the "efficient, economic, and effective use of resources must be promoted."

If ever there was a provision of the Constitution which has been consistently violated with alacrity, it is this. Out of the five EFW categories – Size of Government, Legal System and Property Rights, Sound Money, Freedom to Trade Internationally, and Regulation – South Africa ranks worst in the category of government size.

This problem can be addressed, in the view of the Free Market Foundation (FMF), through three means: fiscal responsibility, which would address the issue of overpaid, underworked state employees;

tax reform, which would address the problem faced by the beleaguered taxpayer who receives little return on investment; and privatisation, which would end the phenomenon of scarce resources being endlessly wasted on attempting to provide services which could be better and more efficiently provided by the private sector.

In recognition of a momentous change in the dynamics of South African politics after the 2024 general election, the FMF is putting forward several, albeit non-exhaustive, policy changes that would see South Africa ascend the EFW's ranking on the score of "Size of Government." Such an ascension would buttress other necessary steps taken towards economic freedom and ensure prosperity for all.[1]

EFW SCORE AND WHY IT MATTERS

Overall economic growth in South Africa has consistently disappointed in recent years and the concomitant ills of unemployment and poverty have unfortunately accompanied the decline in economic prospects. However, it can be clearly gleaned from the underlying data that this has not always been the case – or at the very least that the extent to which our economy has been characterised by sclerotic expansion has not been equivalently dire in recent decades.

The following section will begin with a brief overview of the overall performance of the South African economy before identifying the key factors which have contributed to its more recent stagnation. As will become clear in the analysis, the relevant "turning point" in our economic prospects seems to have taken place in the post-2008/9 global financial crisis (GFC).

[1] See "Liberty First: A Policy Agenda for South Africa's 2024-2029 Parliamentary Term." https://libertyfirst.co.za/publications/.

Brief historical overview of the South African economy

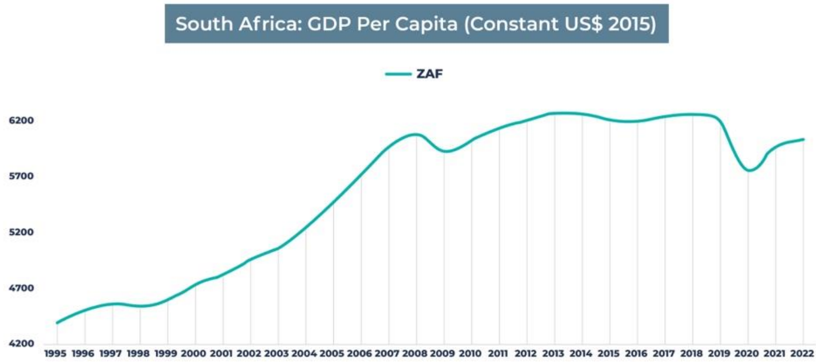


Figure 1: GDP per capita constant 2015 US dollars, South Africa 1995-2023

Figure 1 illustrates the extent to which growth in South Africa can be broadly broken down into three periods, each encompassing a decade in the democratic dispensation. The first period, in the 1990s was characterised by a reasonable, albeit relatively mild, recovery from the downturn on the 1980s. The second, taking place in the 2000s, represents the zenith of economic growth and development. Unfortunately, however, we have failed to replicate the results of either of the preceding periods since 2010 when an epoch of persistent overall stagnation and particular decline was introduced.

The vast gulf between the economic performance of our most recent period and that of the decade which preceded it can be ever more clearly illustrated not with reference to the above absolute performance in per capita GDP, but by looking at the rate of growth in real GDP per capita.

The following graph shows that whilst 2% real growth in per capita GDP had represented something of an expected minimum baseline for development in the 2000s leading up to 2008, the economy has since then struggled to reach even half that previous baseline.

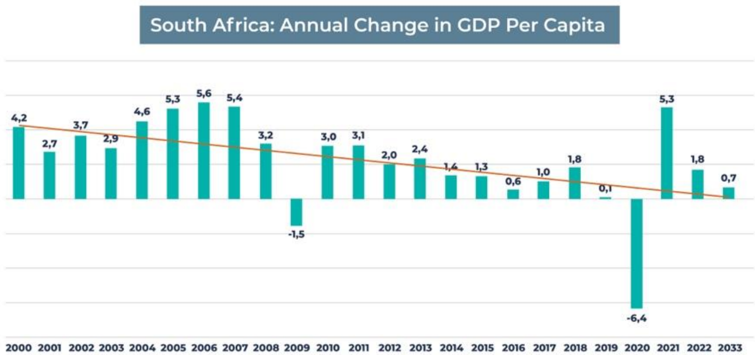


Figure 2: Annual change in GDP per capita, South Africa 2000-2023

Tragically, albeit unsurprisingly, such a reversal in economic performance has coincided with several other undesirable socio-economic outcomes such as increasing overall unemployment, a dramatic increase in youth unemployment and declining investment into the economy.

The significant gains in overall employment which characterised the 2000s had lost its momentum entirely by 2010 and had already begun to swing in the other direction when the devasting lockdown-era spikes in unemployment had taken place.

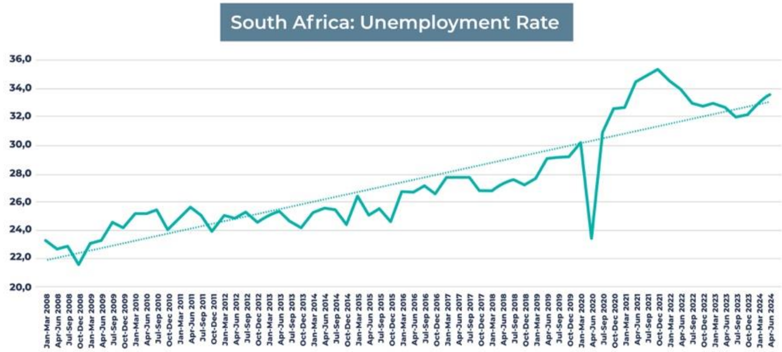


Figure 3: Unemployment rate, narrow definition South Africa 2008-2023

Worrying as the abovementioned may be, the figures for South Africa's youth look rather more dire. While some degree of unemployment amongst young people is to be expected and could suggest underlying dynamism and exploration as younger individuals seek better opportunities early in their careers, the spike in the aftermath of the GFC and the subsequent rise point to structural lack of opportunities for the youth to enter into the labour force.

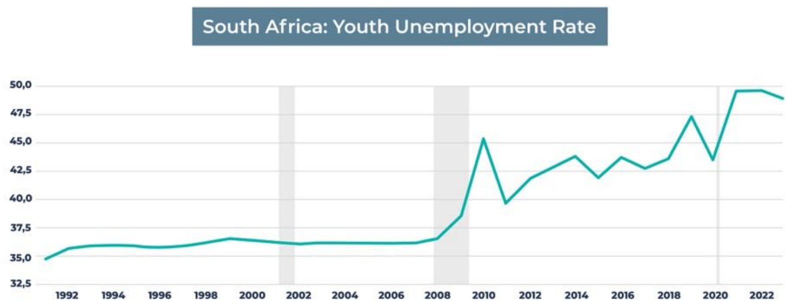


Figure 4: Youth unemployment for South Africa 1990-2023

A final metric which further illustrates the trend identified above relates to Gross Fixed Capital Formation in the economy. Here again, the data follow a similar pattern which flows from high growth in long term investment during the 2000s, towards a circumspect stance in the 2010s culminating in highly volatile and ever declining overall accumulation of capital goods.

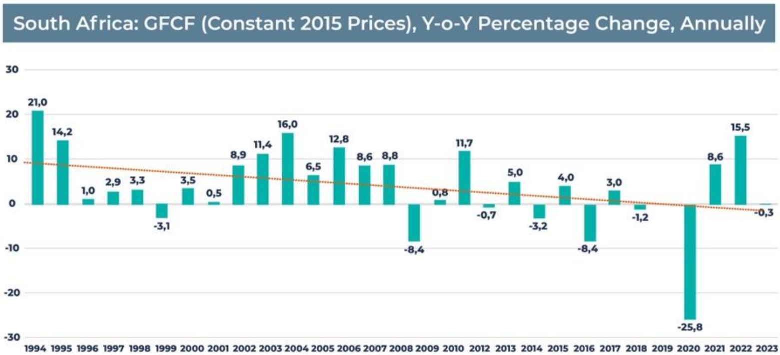


Figure 5: Gross fixed capital formation (GFCF) constant 2015 prices, Y-o-Y % change, South Africa 1994-2023

We have chosen for the purposes of this paper to focus on overall economic growth, unemployment rates and changes in fixed investment as measures of economic well-being. However, it should be stressed that regardless of the metric one chooses to analyse, South Africa's economic performance for the past three decades has been lacklustre. Yet, even more concerning is the fact that our performance on these metrics has not only been poor but has also worsened over time.

A fundamental shift in policy is non-negotiable. The rest of this paper will detail what such a shift must look like by identifying the ostensible causes undergirding the lacklustre performance of the South African economy in recent years. The first metric which concerns our analysis is that of overall economic freedom in the economy.

Stylised summary of trends in economic freedom for South Africa

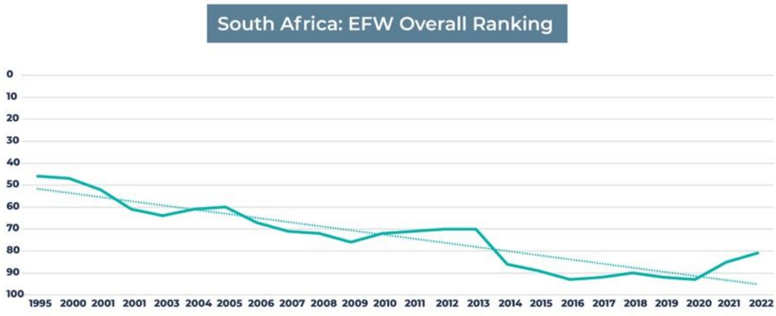


Figure 6: SA EFW rank 1995-2022

As indicated in the above chart South Africa has been in continual decline concerning economic freedom since the dawn of democracy. The most concerning development to note in the above graph is not so much the short-term fluctuations in South Africa's ranking relative to other countries but rather the long-term trend towards lesser freedom in the economy with an especially notable decline at roughly 2014. A final note before proceeding to further comparisons with other jurisdictions, is to highlight the relation between declining overall economic freedom and the decrease in economic performance identified in the previous section. It will be clear at the conclusion of the present section that such a strong positive correlation between freedom and growth exists not only within our country but is even more pronounced in comparisons between countries.

To further illustrate the extent to which South Africa has diverged from its peers regarding its trend toward greater intervention into the economy through regulation, taxation and state interference with economic activity, the following table details South Africa's decline relative to other Sub-Saharan African countries.

Rank	2000	2005	2010	2015	2022
1st	Mauritius	Mauritius	Mauritius	Mauritius	Mauritius
2nd	**South Africa**	**South Africa**	Uganda	Seychelles	Cabo Verde
3rd	Uganda	Kenya	**South Africa**	Cabo Verde	Seychelles
4th	Botswana	Botswana	Ghana	Gambia, The	Gambia, The
5th	Zambia	Uganda	Kenya	Uganda	Kenya
6th	Tanzania	Ghana	Zambia	Rwanda	Uganda
7th	Kenya	Zambia	Rwanda	Botswana	Botswana
8th	Namibia	Namibia	Gambia, The	Kenya	**South Africa**
9th	Mali	Tanzania	Botswana	**South Africa**	Rwanda
10th	Senegal	Côte d'Ivoire	Tanzania	Tanzania	Tanzania

Figure 7: Top 10 freest economies by overall EFW score in Sub-Saharan Africa, 2000-2022

Whereas South Africa was second only to Mauritius in terms of economic freedom in 2000 and 2005 the following periods have been characterised by a persistent drop in the rankings with South Africa still languishing at the bottom-end of the rankings in the latest report.

Because the EFW comprises a composite index of various factors, there is often a significant level of deviation within the underlying elements of the index where great gains could be made at one level while other factors remain constant or deteriorate. Moreover, one should not limit an analysis of the outcomes to the rankings but should instead focus on the changes in the actual scores from which those rankings are derived. The following graph compares the changes in economic freedom summary scores for South Africa (ZAF), Romania (ROU) and the Dominican Republic (DOM):

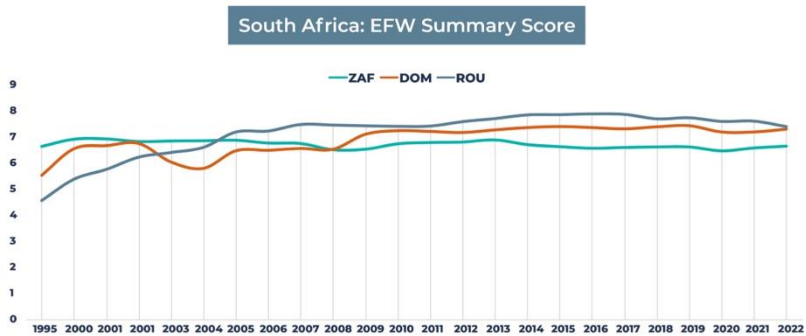


Figure 8: EFW summary scores: South Africa (ZAF), Romania (ROU), Dominican Republic (DOM), 1995 – 2022

The trends could hardly have been clearer. Whereas South Africa was the freest of the three jurisdictions under investigation in 1995, it is today the least free – resulting both from the adoption, over time, of freedom enhancing policies on the part of Romania and the Dominican Republic as well as a rejection thereof by domestic policymakers.

As alluded at the beginning of this section, the impact of such a trend goes far beyond mere figures in an index and is manifest in the tangible influence which such policies have on economic performance:

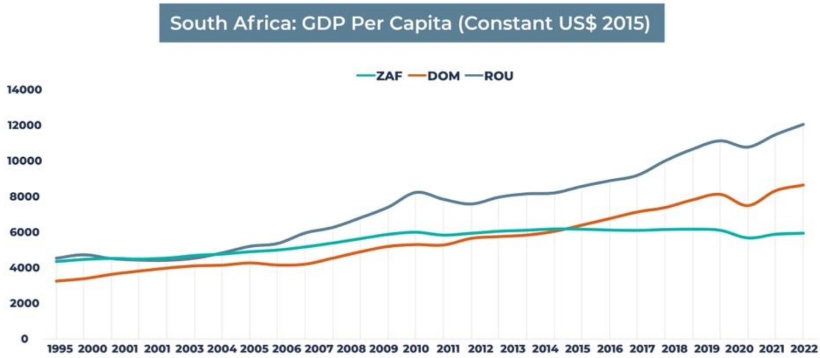


Figure 9: GDP per capita, constant US$ 2015 prices: South Africa (ZAF), Romania (ROU), Dominican Republic (DOM), 1995 – 2022

The results borne from greater economic freedom could scarcely have been clearer. South Africa having started in 1995 with a comparable level of economic wealth as that of Romania and being significantly richer than the Dominican Republic at that time, has since been surpassed by both. Likewise, Romania which saw a greater change in the degree of freedom has also seen far greater economic growth than the Dominican Republic.[2]

The above is but one of a multitude of examples which could be marshalled to illustrate the impact of what we have termed the "freedom dividend." This notion, namely that economic freedom generates societal wealth which accrues to all its members, represents the foundation of the Liberty First policy agenda.

[2] Although not illustrated here, an even starker contrast could be drawn between the Dominican Republic and its immediate neighbour, Haiti. Once again, cementing the enormous value of economic freedom as a driver of prosperity.

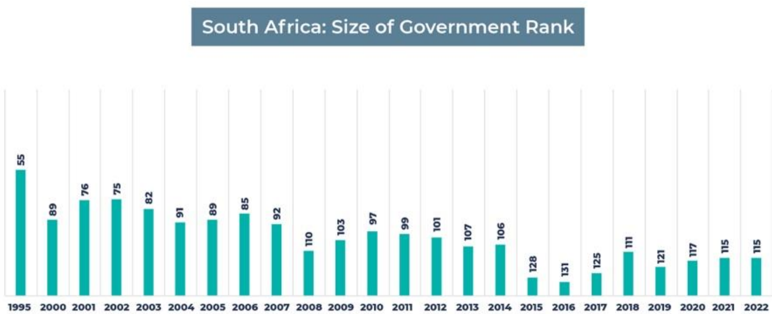
The freedom dividend

One of the most notable revelations from the EFW is what might be termed the "freedom dividend" that exists for the poorest 10% of a society's population.

Comparing the economic freedom scores of countries with the amount of income earned by the poorest 10% of the populations in those countries, it is shown that the poorest demographic of the population in the first quartile of economic freedom (the most "free market" states) earns $14,204 (R250,000) on average per annum, compared to a mere $1,736 (R30,500) in the fourth quartile of economic freedom (the least free market states).[3] The difference is stark.

The poorest of the poor, therefore, earn some eight times more when they find themselves in the midst of free market policies. A higher degree of state interference in the economy is, therefore, not only unquestionably worse for overall economic performance but also quantifiably worse for the poor. Each of the following papers will indicate how placing *Liberty First* when crafting policy generates wealth, prosperity and fulfilment within societies.

Size of government rank



3 *Economic Freedom of the World: 2023 Annual Report* 19.

Fiscal Responsibility

Government spending should become more prudent and align more closely with the interests and financial circumstances of taxpayers.

When Cyril Ramaphosa's third Cabinet was announced on 30 June 2024, it was revealed to be a behemoth body comprising 34 portfolios (including the President and Deputy President), in turn consisting of 32 ministers and 43 deputy ministers. Alongside the President and Deputy President, the top-level executive consists of 77 politicians.

A minister is meant to be the democratically accountable functionary who sets policy and takes political responsibility for what occurs within their portfolio. A deputy minister, to some degree, is nothing but a vehicle for patronage.

Deputy ministers make sense in portfolios that subsume other portfolios, but even then, only temporarily. Where ministers require assistance, they should appoint senior technical staff based on merit, not bring in another politician.

In the coalition reality South Africa now finds itself, some vehicle for political patronage seems necessary at least in the short- to medium-term. This should however be channelled more constructively, perhaps into the establishment of portfolio councils that provide oversight, advice, and assistance where necessary, but whose members are not paid nor receive any other benefits. This would give coalition partners a real voice in the machinations of the executive, without reducing the public service to booty that has to be divvied up amongst rent-seekers.

While top-level executives represent a small portion of the overall size of the government population, it does set the (wrong) standard, and creates a necessary incentive for each portfolio to generate its own staff complement, if not entire agencies, commissions, or departments.

The FMF believes that South Africa requires no more than ten Cabinet portfolios to satisfy both explicit and implicit constitutional requirements. Such a Cabinet would comprise the Presidency (including the Deputy President), and the portfolios of Finance, Defence, International Relations, Justice, Home Affairs, Cooperative Governance, Public Service, Public Works, and Social Development. The number of deputy ministers, furthermore, must be strictly limited, including a rule that there shall be no more than one deputy per portfolio.

Given the quality of state service delivery, South Africa is overspending on its public sector wage bill *per se* – the legions of staff that exist below Cabinet level.

There are too many persons said to be "working" in the state who do too little for too much remuneration. This, regrettably, might include some teachers, nurses, and police officers, among an unnecessary plethora of administrators and bureaucrats.

Research by The Outlier shows that in 2014, 10,000 state employees earned more than R1 million per annum. By 2024, this number had grown to 55,000. South Africa has some 1.3 million state employees.[4]

Having smaller class sizes is important to educational outcomes, but having three bad teachers for 30 pupils per class is worse than having one good teacher for 90 pupils in a class. This is still an undesirable outcome, but illustrates that quality must take precedence over quantity.

Similarly, having a good police officer-to-citizen ratio, whereby a neighbourhood might have five patrolmen on a shift who spend their time sleeping under a tree, is worse than having only one patrolman who is in fact attempting to keep the community safe.

In both cases, South Africa has too much of the former and too little of the latter. Funding should follow performance. State departments that do not deliver a high-quality service should not seek to have their budgets increased – in fact, their budgets must be decreased – especially if they have significant wage bills.

According to research by Dr Morné Malan, some 18.6% of employed South Africans work in some arm of government. And while this is not too far off the average of 17.9% among the relatively wealthy member states of the Organisation for Economic Cooperation and Development, it does hide an important factor, best illustrated by the example of Norway.

[4] "Government's millionaires." *Daily Investor*. https://dailyinvestor.com/south-africa/40208/governments-millionaires/.

Norway, a developed and prosperous country, employs some 30% of its working population in state service. Its government population is therefore much bigger than South Africa's. And yet, whereas South Africa spends some 13.6% of its gross domestic product on state salaries, Norway spends only 11% of its GDP on its government workforce. It is not the case that South Africa's civil servants are doing a better job than their Norwegian counterparts.

This, ultimately, only comes down to civil servants being underworked and overpaid.

National Treasury should take steps deliberately aimed at reducing the size of the state staff complement, and reducing the public sector wage bill.

This would draw the ire of public sector trade unions but is necessary to ensure that government progressively begins to operate within its means.

Outside of government, of course, it is conventional wisdom that ordinary people must live within their means. One works for money so that one can utilise that money to acquire the things one needs and desires. If one could acquire things on an unlimited basis without any link to the money one has earned, working itself becomes a pointless exercise. Debt is a short-term way to circumvent this principle, but only on the considered basis that one can afford to repay the debt within the (usually) medium-term.

With governments, this is all flipped on its head, resulting in a state bureaucracy that does not appear to agree, even in principle, that it should operate within its means. When its revenue collection does not meet its expenditure agenda, it simply borrows at the expense of future generations of taxpayers, rather than cutting its spending plans.

The South African government has overspent its revenue for the past 17 years, consistently running a deficit since the 2007 budget when it last accrued a surplus of tax revenue. Since that time, South Africa's economic growth has stagnated, which illustrates that so-called "austerity" has not been the cause of lacklustre state service provision, but in fact that true austerity might be part of the solution.

In the short-term, Parliament should adopt legislation that requires that National Treasury and provincial treasuries not propose any budgets that do not balance spending with revenue. In the medium-term, Parliament should require that National Treasury and the provincial treasuries produce a modest budget surplus.

Tax Reform

The first financial priority of a free people should not be to support government profligacy, but to provide for their own prosperity.

South African taxpayers bear an immensely unfair burden, having to care for an increasing number of unemployed people – who are unemployed only due to state overregulation, and then to care for the same state's worsening service delivery outcomes.[5] According to the South African Social Security Agency, about 45% of all South Africans are somehow dependent on state welfare grants as of October 2024.[6]

The burden on South African taxpayers is among the highest worldwide. In October 2022, South Africa's tax-to-GDP ratio stood at 26%, and was increasing. The higher this percentage, the greater portion of economic productivity is being consumed by politicians and officials. The South African Institute of Chartered Accountants

[5] The FMF argues that the best solution to poverty is not more welfare programmes, but employment. This is elaborated upon in the Liberty First report on regulation.

[6] "About 45% of South Africans depend on govt grants to survive, costing taxpayer R250bn per year – Sassa." *News24*. https://www.news24.com/news24/politics/parliament/about-45-of-south-africans-depend-on-govt-grants-to-survive-costing-taxpayer-r250bn-per-year-sassa-20241012

explained that this investment by taxpayers is yielding very little in returns.[7]

It therefore appears that, the worse government performs, and the worse government makes South Africa's unemployment crisis through bad policy, the more taxpayers are required to provide even more of their hard-earned money. And the taxpayers themselves are exclusively *receivers* of abuse – they have no input in tax policy.

In the three decades of post-Apartheid South Africa, the taxpayer has very rarely been granted any substantive relief. It is profoundly unjust to regard taxpayers exclusively as cows for the state to milk until dry.

It is time to allow taxpayers to take a breath and to be allowed to save some of their money and invest it in the economy.

This must involve at least a modest income tax cut for all tax brackets, and a five-year moratorium on tax increases to allow taxpayers to acclimatise to current economic circumstances.

Such a lowering of taxes even has the potential to yield more revenue for government in the longer term, as it would lead to greater economic growth and dynamism.[8]

Additionally, many South Africans are often shocked to discover the wide variety of ancillary taxes that they need to pay, even after having paid the standard taxes for decades.

[7] "How South Africa's tax rates compare to Australia, the UK, and other countries." *BusinessTech*. https://businesstech.co.za/news/business-opinion/635987/how-south-africas-tax-rates-compare-to-australia-the-uk-and-other-countries/.

[8] "South Africa's tax rates of the highest in the world – and should be lowered." *Daily Investor*. https://dailyinvestor.com/south-africa/7025/south-africas-tax-rates-of-the-highest-in-the-world-and-should-be-lowered/.

Anything other than the personal income tax, the corporate income tax, value-added tax, and import/export taxes, should be progressively phased out. This would include capital gains taxes, wealth taxes, inheritance taxes, sin taxes, and so forth.

This also means abandoning taxation as means to effect social engineering.

Taxation is meant to be a funding mechanism for that social institution which is compulsory and may not be liquidated if it runs out of money generated through business: the state. It is not meant to engineer social outcomes or induce taxpayers to change their behaviours.

The state is a regulatory animal and should instead use its regulatory powers for social engineering if that is what it desires. Taxation and regulation must be strictly and uncompromisingly separated.

It is also our considered view that the state must expend more time and effort in attempting to gain revenue voluntarily.

It cannot be that every time a politician has a "good" idea, taxpayers have to fork out more of their money to help the politician pursue their ambitions.

Where the state is unable to provide budget for certain public mandates, it should not be as simple as raising taxes or indebting the fiscus. Rather, the state must be compelled to find the additional money through voluntary channels, cutting existing spending that is of a lower priority, or simply abandoning one of the many mandates it has taken it upon itself that could be more efficiently pursued by the private sector.

Finally, and most practically, the scope of value-added tax (VAT) exemptions should be broadened, particularly for medicine.

VAT exemptions for certain products are justified upon the basis of – and clearly designed to – ensure necessary products are not made unduly more expensive, especially for the poor. It is a wonder, then, that doctor-prescribed medications have not been added to the schedule of VAT exempt products.

The result is that people who make use of pharmacies to acquire their medication have to pay at least 15% more for those products than they would have in a pure market context. This is especially problematic for the poor, who are often incorrectly assumed to exclusively use state hospitals where the medication is "free."

Parliament should adopt legislation that exempts any and all doctor-prescribed medications from the levying of VAT.

Privatisation

The concentration risk and inefficiencies associated with state monopolies in key economic sectors should be mitigated.

Economic theory has long recognised the problems associated with monopolies and monopolistic behaviour. There has been some trouble, however, with applying these well-understood principles to state monopolies, which are more often than not treated as exceptions.

The reality is that *especially* state monopolies are intensely harmful to economic dynamism, for all the same reasons that private monopolies are. They are able to dictate terms without negotiation and they have no incentive to improve the cost or quality of their goods or services. But where they are exceptional compared to private monopolies, is that they enjoy the coercive protection of the state. Whereas a private monopoly could, in some sudden leap in technological advancement, lose its monopoly, state monopolies are uniquely protected by legislative and regulatory instruments that bind the rest of society.

Moreover – and as a result of this protection – when a state monopoly, which is usually placed in a key economic sector, fails, it often spells doom for society as a whole.[9] This was nowhere clearer than in the example of Eskom, followed closely by Transnet. South Africa's whole economy has had to suffer trillions of rands in losses and damages, all because these two state-run enterprises could not perform at the rate the market demanded.

But it is not their state-run nature that is the most pressing issue with state companies, but rather their utilisation of the aforementioned legislative or regulatory privileges to protect themselves from private competition.

More importantly than formal privatisation of juristic persons, therefore, is the substantive privatisation of so-called state functions.

At the very least, Parliament must unconditionally open up the field of electricity production, distribution, and transmission; and infrastructural ownership in particular, but also construction and maintenance, to private sector competition.

Even though substantive privatisation of functions is more important than formal, technical privatisation, however, the latter remains of immense value. Companies on the state's balance sheet cost the taxpayer billions and bring in little other than political power and patronage for the elite.

Eskom alone has received roughly R496 billion in direct bailouts and debt relief since 2008/9 and during the preceding parliamentary term

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[9] On the threat of concentration risk and over-centralisation to freedom and prosperity, see "Ask Forgiveness, Not Permission: Practical Steps Towards Home Rule in South Africa." https://homerule.org.za/practical-steps/.

alone, not counting the money taxpayers have to pay to the utility for its poor-quality product.[10] It has also been one of the biggest wrecking balls for the South African economy since rolling blackouts began in 2008.

By September 2024, despite receiving tens of billions of rands in bailouts, the South African Post Office also reported that it was on the brink of collapse unless it received more.[11]

Transnet's collapse costs the economy some R1 billion a day,[12] and it continues to receive debt assistance from the taxpayer.[13] Its erstwhile subsidiary, now an "independent" state airline, South African Airways, received R38.1 billion in bailouts from the taxpayer between 2018 and 2023.[14]

In all, *Bloomberg* reports that South African taxpayers have forked over R456.5 billion to state-owned enterprises in the past decade, which is now set to rise to R520.6 billion by April 2025.[15]

The most important state companies to be privatised are Eskom, Transnet, Denel, the Post Office, South African Airways, and the Passenger Rail Agency of South Africa.

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[10] "Eskom debt relief: A R254 billion lifeline. Exceed. https://www.exceed.co.za/eskom-debt-relief-a-r254-billion-lifeline/; "Eskom bailout will come at a huge cost to taxpayers: Mboweni." *BusinessTech*. https://businesstech.co.za/news/energy/330835/eskom-bailout-will-wreak-havoc-on-south-africas-finances/.

[11] "SA Post Office on the brink despite R10bn from taxpayers." *Daily News*. https://www.iol.co.za/dailynews/news/sa-post-office-on-the-brink-despite-r10bn-from-taxpayers-b80ecfc1-26a1-4fbd-a490-d00c223903aa.

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Furthermore, no new state-owned enterprises should be formed unless a preexisting one with sufficient budget to cover the cost of the new one, is privatised.

Each of these institutions, with the possible exception of SAA, are of immense economic and social value and will not simply fall away when privatised. They will, however, cease being insults to the taxpayer's dignity.

They will be turned into companies that understand that they need to value their customers and convince them to provide money in exchange for high-quality services. Where the indigent cannot afford a given good or service, the state has the discretion to subsidise those goods or services – though this must be done sparingly.

Conclusion

Progressing substantively with any of the policy proposals put forth in this paper will meaningfully increase South Africa's chances of ascending the EFW index, and this is no academic exercise.

A government with reduced scope and size would free up significant economic capacity for the creation of jobs and businesses, and lead to a lowering of the price of goods and services that allows ordinary South Africans to save and invest more of their money in non-political sources. As the EFW has shown consistently over time, the poorest of the poor in countries with better economic freedom scores earn some eight times more than the poorest of the poor in countries with lower economic freedom scores. This rounds to about R250,000 per annum for the poorest 10% of the population in free market societies, and some R30,500 per annum for the poorest 10% of the population in interventionist societies.

Size of government as a metric of economic freedom has a meaningful influence on these scores, meaning that a limited government policy agenda is in fact a pro-poor agenda.

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