



Given the recent failures of most of state-owned companies, economists sees little hope for the proposed National Health Insurance plan. Picture: Shutterstock

# ANC's populist turn bodes ill

## SEVERAL RED FLAGS: BURDENS ON ECONOMY

» Free tertiary education, land expropriation, minimum wages, unbudgeted government staff pay hike.

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**Magnus Heystek**

**T**here's no doubt the ruling ANC has embarked on a policy path of radical populism to stay in power in the next and possibly several more national elections.

It has stolen most of the radical ideas from the EFF, leaving its leader Julius Malema with only unadulterated racism towards all non-blacks as his single source of political oxygen. The long-dormant policy of Radical Economic Transformation was suddenly resuscitated and injected with a new sense of urgency.

### So far we've had:

- ▶ Free tertiary education for the children of those earning a certain minimum salary – almost 90% of the population.
- ▶ The planned expropriation without compensation (EWC) of property.
- ▶ The introduction of minimum wages.
- ▶ The wages and salaries of government employees have been increased more than planned for, leaving a hole of R30 billion in the budget.
- ▶ Government also caved in to the demands of unions at Eskom, with minister in charge Pravin Gordhan scrapping the previously announced zero-increase and negotiations on the table again for increases of about 9%. This at a time when inflation is below 5% and with wages at Eskom much higher than in the private sector.
- ▶ The introduction of the National Health Insurance scheme which, with proposed changes to medical aids, will radically overhaul and possibly destroy one of the few remaining pockets of excellence in the

country.

The ANC government, with its record of spectacular failures, now takes full control of the provision of medical services to the people of this country. Think Home Affairs on steroids. Think the Life Esidimeni disaster which led to the deaths of 168 patients. Think Aarto, think e-tolls. Think our crumbling municipalities.

What's even more terrifying is the quote by Minister of Health Dr Aaron Motsoaledi on *Bloomberg*: "This is the first time in the world this will be done. We don't know how we're going to do it, but we're going to do it."

Motsoaledi's comments about the high levels of reserves held by the medical aids – R60 billion, which represents a solvency ratio of 33% against a statutory 25% as prescribed by law – reflect a poor understanding of the financial discipline needed to operate a medical aid. Any sharp decline in the rand could wipe out these reserves.

He also revealed a deep-seated ignorance of the business world when he indicated medical aid brokers would be banned, on the basis that they earn R2 billion a year. If only he really knew how little they earn. It is the first sign that government has its beady eye on these pots of money.

The issue of EWC could pose an economic risk. So far this year the JSE has shown no growth in rand terms, while the MSCI Index is up 9.4%, the S&P 500 up by 12%, even the Emerging Market index is up 3.7%. What should one make of these initial, albeit early, signs that investors are not going to hang around to see what could happen?

The residential property market has gone from bad to terrible. Properties now remain on the market for almost six months, and are increasingly being sold for less than the purchase price.

The banks have warned government that EWC could put the R1.6 trillion outstanding loan book to the property market in danger.

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