

# Gigaba: Please don't tell us how to spend our money



By [Paddy Hartdegen](#)

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If some person, not a 'friend' or 'someone special', started telling me how to spend my money I'd probably tell them to get stuffed and to use goose down for the stuffing.



Perhaps Gigaba's heart is in the right place, but business needs certainty and that means making sensible changes where necessary to legislation. (Image: GCIS)

So I wonder what Malusi Gigaba was thinking when he tried to tell the business community how to spend the R520bn that they've got locked up in cash deposits with banks, earning interest that is at its lowest rate in 30-odd years.

Perhaps Gigaba's heart is in the right place because he wants companies to invest and the reality is that they're not doing so. Not investing in new projects to create jobs, stimulate economic growth or unlock future earnings.

Gigaba now wants businesses to do so and in many respects, if the business community were to invest, the expenditure would be phenomenal. Consider, for instance, the combination of the +R800bn that government wants to put on the table for infrastructure development and add say, 50% of the R520bn that business has tucked away and the immediate investment in South Africa's economy would exceed a trillion rands.

And that's just for the current financial year.

## The difference between business and government is...

The problem, says Gigaba is that "government speaks with one voice and business with another". That's true because business protects its investment and looks after the cash resources it has.

Government spends taxpayers' money and, once a year when that runs low, it lifts taxes, introduces new ones (petrol levies) sets up additional income streams (green energy) and just gets more money into its coffers.

As any business person knows, if you want people to spend their money with you (investment) then you have to create the incentives for them to do so. You see this principle working in supermarkets everyday. Price cuts, loss leaders, and all sorts of other commercial gimmicks get consumers to spend their money in that store.

You see the same approach on a government level in countries such as Brazil, China, Russia and India. The countries create special economic zones, tax reductions, flexible labour laws and financial grants and use them as incentives. Then investments pour into the economies.

## **Some tips for the minister**

So I have a simple and easy to understand suggestion for Public Enterprises Minister, Malusi Gigaba: Give business an incentive to invest and you will unlock the river of money that is dammed-up in bank accounts.

Here are a few examples of some of the incentives:

- Change the labour laws so they are flexible rather than onerous. Do this especially for small-, medium- and micro-enterprises who need labour flexibility to expand and grow.
- Create economic zones for all companies in areas that are well-served by infrastructure. There's no point in having an 'economic zone' in Koffiefontein if you haven't got the labour, the municipal infrastructure and the transport and electricity network needed for manufacturing or commercial enterprises.
- Create tax incentives for companies who employ untrained people and give these companies real benefits for training these people to be productive members of society. Don't just transfer the training process to the private sector because government sector training initiatives have failed.
- Provide easy access to long-term, 'soft' loans so that business can expand without using expensive bank finance (coupled with horrendous bank charges).

## **Makes some sensible changes and business will do the rest**

Then get your colleagues in government to create an environment of 'certainty' rather than the prevailing 'uncertainty' prompted by inane calls for nationalisation, expropriation of land without payment and the most recent 'threat' that you will ask Parliament to draft legislation that will allow you to "insist on the establishment of manufacturing capacity in South Africa."

If you try legislating for how businesses spend their own hard-earned cash, you will send them running to the economies of Eastern Europe, Brazil, Russia, China or India in a heartbeat.

And I'm not sure what your plans are for a new Infrastructure Act that you say will "recognise past mistakes" because if the implication is that the "past mistakes" were that business did not invest in infrastructure, don't try using legislation to force them to do so now.

The simple lesson: investment needs certainty, labour flexibility and economic freedom. A lack of investment is driven by uncertainty, labour inflexibility, government legislation and limited economic freedom.

Any successful developing economy in the world will prove that to you.

Unsuccessful ones, like Cuba, prove legislation doesn't work.

## **ABOUT PADDY HARTDEGEN**

Paddy Hartdegen has been working as a journalist and writer for the past 40 years since his first article was published in the *Sunday Tribune* when he was just 16-years-old. He has

written 13 books, edited a plethora of business-to-business publications and written for most of the major newspapers in South Africa.

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