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Learning from birds and gnus

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Other countries offer lessons for assessing whether the GNU is on a path toward prosperity or stagnation

There is consensus in SA that the fastest way to raise the economic growth rate is to accelerate the pace of economic reform. But to do this, the Government of National Unity (GNU) needs to really work.

This is one of the core messages from the Pick-A-Bird scenarios developed by the Bureau for Economic Research. The BER has modelled three scenarios – the Hadedu, where SA continues to muddle through; the Marabou Stork, where SA descends into a failed state; and the Fish Eagle where growth soars to 3% and 2.4m jobs are created by 2030.

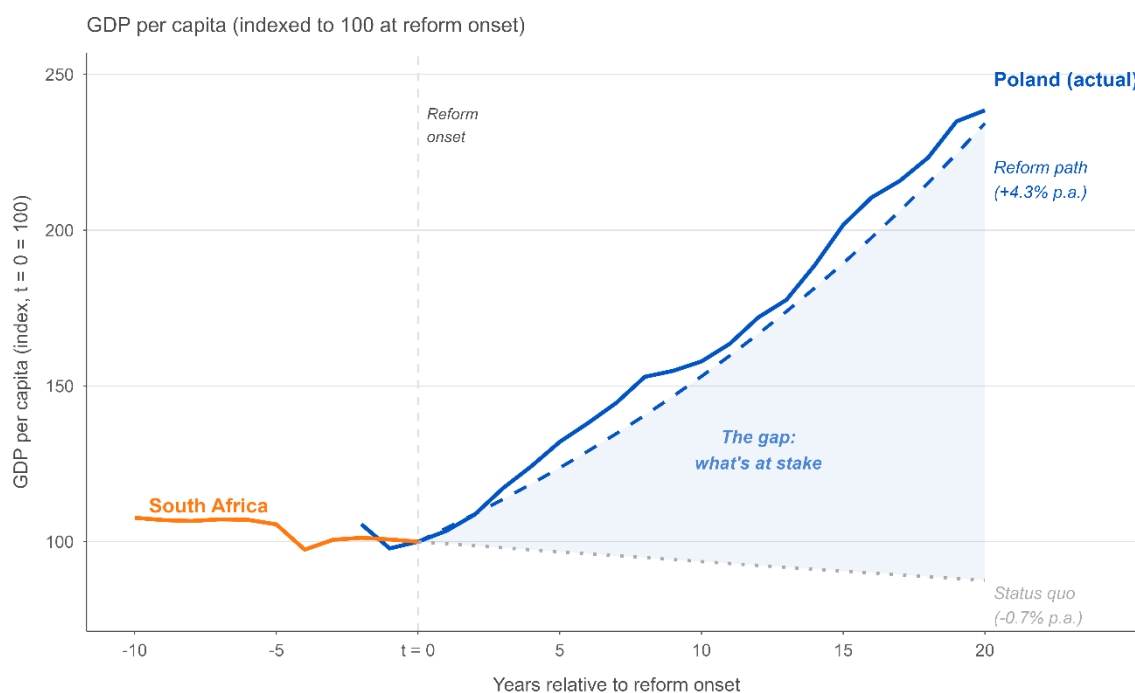
Under the Hadedu, the GNU holds, but coalition complexity and state incapacity limit its ability to deliver reforms. Under the Fish Eagle, SA uses the current political window to deliver rapidly on its reform agenda. But under the Marabou, the trigger for SA's descent is a political realignment results in a more populist GNU that fails to back the existing reform agenda.

In a paper commissioned by the BER, "The Political Economy of Growth Coalitions: Lessons from Five Countries for South Africa," we find that it is not enough for the GNU to just hold together. It must generate sufficient policy coherence to reduce uncertainty, thereby catalysing a sustained private fixed investment upswing that leads to higher growth and employment.

Three chief risks could derail SA's positive trajectory:

- Coalition fracture: if the ANC and DA cannot resolve disagreements on specific policies, the GNU could collapse.
- Reform fatigue: if delivery is too slow, public patience may dwindle, allowing populist alternatives to gain ground.
- External shocks: the oil price rise could overwhelm the coalition before reforms produce results.

Fig 1: Poland shows what's at stake for the GNU



Note: The graph shows Poland's actual per capita GDP trajectory after the onset of its reform programme in 1992. The broken lines project two alternative future scenarios for SA – one where it emulates Poland's success and one where the status quo continues.

Source: World Development Indicators; Penn World Table 10.01; J. Fourie's calculations

The paper examines the experiences of Chile (1986), Poland (1992), India (2002), Germany (2005) and Argentina (2003) to determine what political conditions enable sustained economic growth.

All five countries experienced high political contestation at the start of their reform journeys. Of these, Chile, Poland, India and Germany represent Path A – countries in which contesting factions forged durable political settlements.

When Poland embarked on its post-transition reforms in 1992, its GDP per capita was similar to SA's today. Twenty years later, Polish living standards had doubled. SA has averaged barely 0.5% per capita growth over the past decade – a trajectory that, if sustained, would leave living standards essentially unchanged a generation from now.

Path A countries show that merely opening a reform window is insufficient; what matters is whether the political settlement is credible enough to generate the policy coherence and demonstrable results necessary to reduce uncertainty and unlock private investment.

Argentina represents Path B. Following a default in 2001/2002, the country's economy accelerated but market-oriented reforms were subsequently abandoned because Peronism's factional structure prevented a durable political settlement from being reached.

In short, without credible commitment, the bargain unravels: subsequent governments reverse reforms, uncertainty returns and growth collapses.

Germany under Chancellor Gerhard Schröder offers an alternative case study. The Hartz reforms (2003-2005) almost halved unemployment but the political cost was devastating - the Social Democratic Party (SPD) split and Schröder lost the 2005 election - a fate not dissimilar to that of former ANC president Thabo Mbeki.

Jacob Zuma's presidency eroded many of Mbeki's gains but, unlike in SA, Germany's institutional structure made the Hartz reforms difficult to reverse. When Angela Merkel's CDU succeeded Schröder, she preserved and extended the reforms because reversal would have required a very broad consensus.

The distinction between Path A and Path B is not whether growth accelerates but whether it is sustained. It is the difference between doubling living standards in a generation and going nowhere – like the noisy, panicky Hadedda.

Three chief lessons can be distilled from the paper:

- Deep crises open reform windows by lowering the political cost of policy reform. But only credible political settlements, those that reduce policy uncertainty, can translate those windows into sustained private investment and growth.
- Successful reformers start with high-visibility, broadly beneficial reforms (like building infrastructure). They defer the most divisive changes (like labour market reform) until a growth dividend materialises, but do not defer the hard choices indefinitely.
- Reforms survive only when institutional anchoring makes reversal costly and the coalition maintains operational coherence around a focal programme.

SA's crisis is slow burning. This makes reform harder. It means the GNU must construct urgency by being honest about the cost of inaction; build credibility by achieving visible delivery milestones (like stabilising Joburg's water crisis); protect existing institutions; and build coalition coherence around a shared policy programme and reform scorecard.

Based on these lessons, we should be constantly asking: Are high-impact reforms being achieved? Is there a shared reform programme with clear deliverables, or are coalition members pursuing parallel agendas or being drawn into politically divisive battles?

Positive answers would place SA on Path A. Negative answers would suggest we are drifting toward Path B as marked by the slow accumulation of policy incoherence that prevents a sustained acceleration from taking hold.

The central message of the BER's scenarios is that SA has only a short window to accelerate the pace of reform and make the GNU work better.

What's missing in SA right now is a credible, shared GNU policy agenda aligned to the national budget and tied to a detailed GNU scorecard (as opposed to just an Operation Vulindlela scorecard). The coalition is holding, for now, but the risks are growing, and SA shares far too many features with Path-B countries for comfort.

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