



“We have an incredibly carbon-intensive economy. We emit 25% more per capita than China and we are double the global average in terms of carbon emissions,” said Eskom CEO Andre De Ruyter in an Investec webinar this week.

But, on the other hand, “South Africa is endowed with some of the best wind and solar acreage in the world.” This, he said, creates huge economic opportunities in the renewable energy space, while taking into consideration “the very well-founded concerns of those that have interests in the coal value chain.”

Summarising the energy position which is a make or break for South Africa’s economic future, he diplomatically added that, “If we can align our fiscal, environmental, energy and industrial policy, we can use this opportunity to pivot away from our coal past to a greener and cleaner energy future in a just way.”

De Ruyter needs to be both the consummate CEO and the diplomat if he is to negotiate this future when one his ultimate bosses is Mining and Energy Minister Gwede Mantashe who makes no bones about his love of dirty old coal. But the good news is that our new Minister of Finance Enoch Godongwana appears to be on the same page as De Ruyter.

The two appeared together with Advocate Wim Trengove SC in a panel discussion at the South African Jewish Board of Deputies’ (SAJBD) Hope and Recovery conference this past week. The Finance Minister added that economic recovery required a “strong public-private partnership focused on structural reforms.” This included improved provision of electricity, repairing hollowed-out state-owned enterprises and containing the public sector wage bill.

“If we can take a lesson from the Covid 19 pandemic, South Africans across the board worked together, including business, without even a single document being signed on how to work together. That in itself proves that there's positive commitment amongst South Africans,” the new Finance Minister said.

Outlining his future vision for Eskom, De Ruyter said he’s not in the business of fixing clapped-out vehicles. “Our proposed solution is not to try and fix this old car and try and persuade it to keep on running for another 20 years. Our proposal is to ensure that there's this transition to other generation technologies in which the private sector will be forced, due to fiscal constraints in the state of our balance sheet, to play a leading role.”

And he added that by ramping up South Africa’s renewably-sourced power, Eskom could avoid the hefty R300 billion needed to clean up emissions from its coal-fired power stations: “R300 billion that will add nothing to our generation capacity, that will have, frankly, limited impact on the ambient air quality and that will not diminish our carbon footprint. It will, in fact, consume inordinate amounts of water in an already arid country.”

“So, by aligning our policies, I believe we can use this as an opportunity to create decent work for many unemployed people in South Africa, to ensure that we do not leave ghost towns behind surrounding our power stations, to build in a competitive advantage thanks to a lower carbon footprint attributed to our exports, both our mineral exports, our manufactured goods, as well as agricultural exports, which increasingly will be penalised if we do not make this transition.”

Weighing in on the Rule of Law which so many commentators lately have warned is under siege from politicians, Wim Trengrove cited the Nkandla and Al Bashir judgements and former President Jacob Zuma's failed attempt to replace the National Director of Public Prosecutions, as victories for South Africa's judiciary.

The judiciary has held firm, he said, despite constant attacks from certain quarters in society and a barrage of criticism about how slow the wheels of justice seem to turn when it comes to bringing the agents of state capture to book. "The rule of law is a necessary condition for the confidence that attracts investment, and I can say that the rule of law is alive and well in South Africa so that foundation is here."

At a point in our history when everything seems darker than simply a future of continued load shedding and a collapsing economy with many skilled South Africans collectively considering futures overseas, it is important to pick up such threads of hope as are offered from these leadership perspectives.

Godongwana, furthermore, went on to insist that the civil unrest was a once-off event: "We cannot take isolated incidents that are not a feature of our society as a reason for lack of investment. Crime prevention is going to be a top priority of the government. Watch this space."

And he added that in order to get the economy growing, stable energy-supply ranked right up with social stability. "What I want is power to the grid – who brings it is immaterial – so that this economy can come back."

But before we get too optimistic about the winds of change blowing through Cyril Ramaphosa's ANC, consider columnist Justice Malala's view on the up-coming municipal elections on Monday: *"I was ecstatic to hear President Cyril Ramaphosa promising that his party's 9,406 councillor candidates would not rest until they 'end corruption, fraud and patronage, no matter what form it takes and no matter who is involved'."*

However, he went on to add that *"...these poor candidates are caught in the web of a party that says one thing on corruption and does the absolute opposite in real life. If you are one of the party's mayoral hopefuls and you are from KwaZulu-Natal, you will be shocked when you go for your interview by the party. Sitting in the first of five panels to interview mayoral candidates in the province will be Malusi Gigaba, for example. Now, as alleged by Gigaba's wife, Norma, at the Zondo commission in April, the ANC's former rising star was doing the bidding of the Gupta family while supposedly working for the people of SA as a cabinet minister."*

"Candidates vying for mayorships in the Eastern Cape will find themselves being interviewed by Mosebenzi Zwane, the close Gupta associate whose name crops up at every turn in the Vrede dairy farm scandal. Zwane is notorious for flying to Switzerland to strong-arm Glencore into selling its mine to the Guptas. The mayoral candidates will be happy, I am sure, to know that this is the man who will be teaching them about ethics and independence."

"It doesn't stop there. Ramaphosa and his top comrades have vowed that the era of incompetence is over. To ensure that there is no incompetence among its mayors in the Northern Cape, candidates will be interviewed by Faith Muthambi, one of the Zuma administration's worst ministers. Given how inefficient that administration was, you have to be a special type of incompetent to make the cut. Muthambi easily made it into that cabinet of yes-men and -women."

"During her tenure, Muthambi did so much damage to the SABC that it nearly collapsed. Parliament's final report on its inquiry into the public broadcaster said she had politically interfered in its workings and had 'displayed incompetence'."

As an economics and investment commentator I long ago decided to dismiss politics as a hopeless but small impediment to the workings of a thriving economy. But I have had to come to the reluctant realization that bad politicians ultimately destroy everything they touch. As in all things economic, everything is a matter of scale. Thus, even as I write it seems that the mighty US economy has entered its final phase as a superpower because it has for so long abused its custodianship of the world's money that a disastrous wave of inflation is beginning to sink the dollar.

Similarly, when the ANC brought its socialist thinking to bear upon a vibrant economy which even apartheid had failed to sink, I thought that social injustice could be reversed in South Africa by re-aligning defence spending into an exciting economic stimulation brought about by massive spending on housing, power, water and sewage provision to the previously disadvantaged. Everyone would benefit as the economy boomed and job-creation would occur on a massive scale.

I simply did not realize that our financial resources would be plundered on such a scale that we stand now on the brink of being officially declared a “Failed State.”

So it comes down to a final question now as to whether thinkers like Cyril Ramaphosa and Enoch Godongwana can prevail over the influence of people like Jacob Zuma and his satellites who think affirmative action means “helping yourself.”

Translated, I believe that a vote for the ANC on Monday will carry the message that it is OK to carry on with their policy of ‘Cadre deployment’ which has characterised the average South African municipality with gross incompetence, failed audits and outright theft and has translated into a collapse of service delivery. I also believe the DA’s policy that they ‘Get things done’ and so they will get my vote.

Socialist Spending

Meanwhile the surge in US share prices recently has taken Pretoria-born Elon Musk’s fortune to nearly \$290 billion making him the richest man on the planet. Now some Democrats have floated a “billionaire’s tax” to make Musk and his Perrier-drinking peers send a lot more of that wealth to the government. Every investor should watch the evolution of this idea!

The proposal, spearheaded by Senate Finance Committee chair, Ron Wyden, is an attempt to raise billions in revenue to offset the costs of Democrats’ ~\$1.75 trillion spending bill.

The tax would likely target a smaller group of individuals than any other tax in American history—those with \$1 billion in assets, or who earn at least \$100 million in income for three consecutive years. It could apply to just 700 taxpayers.

And what would they be taxed on? *Unrealized capital gains*. Here’s what that means:

- Currently, investments like stocks or real estate are taxed only when they are sold for a profit.
- Under the “billionaire’s tax,” you’d be taxed on your investment gains even if you haven’t sold them yet.
- **The rationale:** The existing tax system is set up in such a way that the ultrawealthy can dramatically lower their tax burden by, for example, getting compensated in stock options rather than a salary like the rest of us. This plan would make that stock taxable.

Plus, it would raise a truly ridiculous amount of money. The richest 169 Americans are sitting on roughly \$516 billion in unrealized gains. Elon Musk himself would, according to one analysis, have to pay up to \$50-billion over the first five years after the tax gets implemented.

Or worse. NYU finance professor Aswath Damodaran wrote that the proposal is “perhaps the worst thought-through and most ineffective attempt ever at rewriting tax code.” Questions like, “What do you do when an investment goes down?” “How would they come up with the money without selling other assets?” and, “Is this even constitutional?” are not easily answered.

While some Democrats support the plan, others think it’ll be a logistical nightmare. Still, they’ll need to agree on some way to raise more revenue in order to push their spending bill forward before the week is over. One of those strategies is a 15% minimum tax on large corporations’ profits.

Meanwhile, money is flooding out of private portfolios in the US down the untraceable rabbit hole of cryptocurrency. The same thing happened in Labour Party Britain in the 1960s when the wealthy, facing a marginal tax rate of 95 percent, simply decamped with their money leaving the government with dwindling tax

revenue and a moribund economy. It took Maggie Thatcher to drastically cut taxes and bring the British economy back from the brink! Hopefully Enoch Godongwana understands this lesson!

Watch this space and do enjoy your weekend!

The month ahead:

Making the following projections I have long looked for correlations between the projections made by the ShareFinder 5 and 6 programmes. Sadly these have been diverging due to a decline in the accuracy of the data available to SF5. I need to thus warn users of SF5 that a decision has accordingly been made to discontinue support for this programme as from the end of December.

New York's SP500: I correctly predicted volatile gains, now until the fourth week of November when I see a brief retraction until the end of December and then further gains until mid-February ahead of another longer retraction then.

Nasdaq: I correctly predicted gains followed by a brief retraction in mid-December within a continuing upward sweep until the end of June at least.

London's Footsie: I correctly predicted the end of the last brief recovery and now expect a volatile declining trend lasting until next August. However I expect two brief up-spikes; one beginning now and another in mid-November.

Germany's Dax: I correctly predicted brief gains which are still likely to continue until the second week of November. Thereafter it is likely to be down again until early May.

France's Cac 40: I was anticipating declines until mid-2022. Now I see **very volatile** gains until September.

Hong Kong's Hangsen: I correctly predicted an up-trend which now appears likely to last until mid-December before the down-phase reasserts itself until mid-January followed by a volatile sideways pattern until July.

Japan's Nikkei: I correctly predicted a decline beginning now and I expect it to last until late April.

Australia's All Ordinaries: I correctly predicted the start of a three-month recovery until mid-December. Thereafter I see it bumping along the top until mid-March before the next long decline sets in until at least next September.

JSE Top 40 Index: I correctly predicted a recovery which is probably now over ahead of weakness until mid-February when a longish rally appears likely.

ShareFinder JSE Blue Chip Index: I correctly predicted declines until June at least.

Rand/Dollar: I correctly predicted a brief recovery which I expected to be over around now. Now I see weakness until the end of January followed by a recovery until June.

Rand/Euro: I correctly predicted the end of the gains. Now I see a brief recovery and then weakness until early March.

The Predicts accuracy rate on a running average basis since January 2001 has been 86.42 percent. For the past 12 months it has been 93.54 percent.
