

# **The Prosperity Plan**

A Libertarian Framework to Increase Real per Capita GDP

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26 July 2024

This early draft WILL DEFINITELY CHANGE AND BE MODIFIED. It is NOT FINAL.

The proposal contains too much waffle and needs to be cut down to focus on the key issues. The focus must be on economists. Release too early to get external comment

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# Our goals

Our tag : #prosperityplan

Our Word: Prosperity

Our Vision: To Build a prosperous world

Our Mission: To build the theory of the Prosperity Plan and build a Cape Economic Zone that is an empirical example of the Prosperity Plan

The common slogan is that South Africa faces the triple challenges of poverty, unemployment and inequality. You hear this so often you start to believe it is true. However these challenges are simply symptoms of the demon South Africa really faces – low economic growth. Low growth brings declining per capita gdp, brings unemployment, brings poverty, brings inequality. Fix unemployment and the other problems fix themselves.

The Prosperity Plan flies in the face of the common slogan by suggesting that we import inequality and thereby boost GDP per capita, which boosts employment and taxation. This alleviates poverty in the short run and will reduce inequality in the long run.

## Parties

The Prosperity Plan is an en commandite partnership, represented publicly by Philip Copeman and Marc Beckenstater.

The following parties should be interested in our activities:

**Citizens** of the host countries that want to create a Special Economic Zones.

**Workers** who wish too settle into the SEZs

**Governments** and Political Parties that are interested in exploring libertarian ideas to promote economic prosperity.

**Corporations** that employ or wish to employ remote workers

**Partners** who contribute Intellectual Property by Creative Commons for free.

**Contributers** who contribute research for a fee.

## **Citizens**

**Citizens** are democrats that live in mixed economies. If your economy is mixed then you feel the pressures from the four horsemen (nationalists, capitalists, socialists, marxists). Libertarianism offers an opportunity to build prosperity. You would like to help by becoming a host country.

This will take mountains of pressure, citizens of mixed economies are always deeply suspicious that outsiders will get one up on them. You can contribute to the Prosperity Plan by reading it and making sure that you understand that the Prosperity Plan is better for everyone.

## **Workers**

**Workers** are the people that are going to “emigrate” to the economic zone. They are young, rich and mobile and able to work remotely. As a host country we need to offer them a SEZ that is attractive to them, certainly more attractive than the host country that they are currently in.

We toyed with using the terms settlers or slaves to describe the workers. South Africa has a long economic history of importing slaves and settlers.

## **Governments**

**Governments** and Political Parties that are interested in exploring libertarian ideas to promote economic prosperity. Those with developing economies have the most to gain. By developing economies we mean those with a per Capita GDP of less than Ten Thousand US Dollars. Adopting the Prosperity Plan can offer increases of more than 5%!

We show by macroeconomic analysis, case studies and datascience that libertarian principles can build fiscal revenues by introducing Special Economic Zones.

## **Corporations**

**Corporations** that employ remote workers. You should find that The Cape, with its strong representation of English and advanced digital intelligence and infrastructure is an ideal location for you to place remote workers.

The CEZ that we are proposing will have a particularly light tax regime.

**Contributors** who contribute for a fee. If you have ideas that have commercial value, we are more than happy to engage with you, but please come with fully costed solutions

## **Agents**

**Agents** are persons or parties that can sell subscriptions or are prepared to hand hold Settlers. Please don't even think of being an Agent until you are familiar with the Prosperity Plan and can argue its merits, economically, politically, financially and philosophically.

## **List of Contributors**

Philip Copeman, Concept, Economic Audit, Text origination, References links, image creation

Marc Beckenstrater Concept, Data science audit.

## **Credits**

**Anwar Adams**, for a concept of a single word for the purpose of a political party - prosperity.

**Johan Rupert** for bringing to our attention the existence of Special Economic Zones around the world.

**Ibrahim Patel**, who has been a driving force behind the Establishment Protocols for Special Economic Zones in South Africa.

# The Proposal

## Abstract

To meet the challenges of low growth in low income economies, we propose setting up Special Economic Zones based on Libertarian Principles.

We tackle this theoretically by building a small macroeconomic model that manages major variables. Then empirically we use real world examples as models to be emulated.

As a case study, we tackle the South African problem and provide a detailed example with the benefits involved. We detail the benefits of Special Economic Zones.

Further focusing the analysis, we suggest an Economic zone stretching as far as the Western and Northern Cape and suggest a simple course of growth action that does not require massive capital injections, long periods of gestation or complex legislative amendments..

Most importantly the Special Economic Zone **will deliver excess fiscal Revenue** from the SEZ to the Country, certainly more than currently experienced or projected.

## Scope

This proposal is aimed at Economists and Politicians. The Prosperity Plan is described in terms of macro economics and growth economics. Links have been provided to background reading to endorse the thinking. With effort even readers without formal training in economics we should be able to follow the arguments. It is not a post doc level paper and we do not use incoherent terminology.

The Prosperity Plan can be implemented in most mixed economies, but it will find particular favour with developing economies that are rich on space but have problems attracting capital.

In this document we focus on the situation for South Africa and compare the country to economies world wide. We suggest in detail, an Economic Development zone for Cape Town and the Western Cape, however the same principles can be applied in many situations and may well work for you implementing your own proposals.

## Data

The proposal uses annual data to develop models, and principles apply to multi-year forecasts. Economic data has varied degrees of accuracy, it can be distorted by the compilers and particular when forecasts are made, they should be treated with scepticism.

That said, we live in the real world, a world where data is everything and acquiring data can be cheap or costly. Our data source can make a difference.

Also Economic Data is not always critical to the outcome of an analysis. Sometimes we “fill-in-the-dots”. It must be clear when this is done.

# World Forecast

**Table 2.1 Economic growth in selected countries**

Region/country	2022	2023	2024	2025
	Actual	Estimate	Forecast	
<b>World</b>	<b>3.5</b>	<b>3.1</b>	<b>3.1</b>	<b>3.2</b>
<b>Advanced economies</b>	<b>2.6</b>	<b>1.6</b>	<b>1.5</b>	<b>1.8</b>
United States	1.9	2.5	2.1	1.7
Euro area	3.4	0.5	0.9	1.7
United Kingdom	4.3	0.5	0.6	1.6
Japan	1.0	1.9	0.9	0.8
<b>Emerging and developing countries</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>	<b>4.2</b>
Brazil	3.0	3.1	1.7	1.9
Russia	-1.2	3.0	2.6	1.1
India	7.2	6.7	6.5	6.5
China	3.0	5.2	4.6	4.1
<b>Sub-Saharan Africa</b>	<b>4.0</b>	<b>3.3</b>	<b>3.8</b>	<b>4.1</b>
Nigeria	3.3	2.8	3.0	3.1
South Africa <sup>1</sup>	1.9	0.6	1.3	1.6
<b>World trade volumes</b>	<b>5.2</b>	<b>0.4</b>	<b>3.3</b>	<b>3.6</b>

1. National Treasury forecast

Source: IMF World Economic Outlook, January 2024

Let us take an example of World GDP forecast. We get our data from The SA treasury, which in turn gets it from the IMF and World Bank

## Local forecast for South Africa.

Now the Scope of this document is a five year forecast. We are going to need World GDP forecast and South African GDP forecast for 2024 to 2028 and we need to compare it to the growth in the market for Remote workers.

### ECONOMIC OUTLOOK

**Table 2.2 Macroeconomic performance and projections**

Percentage change	2020	2021	2022	2023	2024	2025	2026
	Actual			Estimate	Forecast		
Final household consumption	-6.1	5.8	2.5	0.7	1.3	1.8	1.7
Final government consumption	0.9	0.5	1.0	1.8	-0.7	-0.2	-0.2
Gross fixed-capital formation	-14.6	0.6	4.8	4.2	3.7	4.0	3.6
Gross domestic expenditure	-7.6	4.8	3.9	1.1	1.2	1.7	1.7
Exports	-12.0	9.1	7.4	3.2	2.1	2.5	3.2
Imports	-17.6	9.6	14.9	4.8	1.9	2.6	2.6
<b>Real GDP growth</b>	<b>-6.0</b>	<b>4.7</b>	<b>1.9</b>	<b>0.6</b>	<b>1.3</b>	<b>1.6</b>	<b>1.8</b>
GDP inflation	5.3	6.5	4.8	4.6	4.0	4.5	4.5
<b>GDP at current prices (R billion)</b>	<b>5 568</b>	<b>6 209</b>	<b>6 629</b>	<b>6 972</b>	<b>7 346</b>	<b>7 801</b>	<b>8 298</b>
CPI inflation	3.3	4.6	6.9	6.0	4.9	4.6	4.6
Current account balance (% of GDP)	1.9	3.7	-0.5	-1.8	-2.8	-3.0	-3.0

Sources: National Treasury, Reserve Bank and Statistics South Africa

### Macroeconomic assumptions

The forecast incorporates the assumptions outlined in Table 2.3.

**Table 2.3 Assumptions informing the macroeconomic forecast**

Percentage change	2021	2022	2023	2024	2025	2026
	Actual		Estimate	Forecast		
Global demand <sup>1</sup>	6.5	3.7	3.5	3.3	3.3	3.3
International commodity prices <sup>2</sup>						
Oil	70.8	99.0	82.3	77.1	74.0	71.5
Gold	1 799.8	1 801.5	1 943.2	2 029.9	2 119.5	2 199.3
Platinum	1 090.8	960.9	966.7	922.2	947.3	972.8
Coal	125.2	271.1	120.7	113.9	115.3	112.9
Iron ore	158.2	120.7	120.2	121.0	106.4	97.3
Palladium	2 398.2	2 107.4	1 338.7	1 009.4	1 051.6	1 096.8
Food inflation	6.1	9.2	10.7	4.7	4.5	4.5
Sovereign risk premium	3.5	4.1	3.9	3.7	3.7	3.6
Electricity inflation	10.1	11.1	11.8	13.9	12.7	10.5

1. Combined growth index of South Africa's top 15 trading partners (IMF World Economic Outlook, January 2024)

2. Bloomberg futures prices as at 15 January 2024

Source: National Treasury

## Forecast for the market for Remote workers

	2024	2025	2026	2027	2028
World GDP	3.1	3.2	3.3	3.3	3.3
South African GDP	1.3	1.6	1.8	1.8	1.8
<i>Remote workers.</i>	<i>15.0</i>	<i>15.0</i>	<i>15.0</i>	<i>15.0</i>	<i>15.0</i>

IMF

### SA Treasury

#### *Our Estimate*

Take this sentence from techjury.net :

*The global freelance market was estimated at **\$4.43 billion** in 2022 and is expected to reach **\$12.01 billion** by 2028. (#35stunningstats)*

Calculate the growth rate on this expansion and it is of the order of 18% per year , It is an understatement of what will happen. Tech workers that settle into the SEZ will themselves increase their own incomes as their skills grow. There is no doubt that they will be a major boon to the host country.

Notwithstanding that the Country data comes from really trusted sources and the remote worker data comes from questionable surveys, the difference is so vast that we can radically discount the growth of the remote workers and the benefit is still obvious. We can feed this data into our model without fear that it will lead to wildly miscalculated forecast or make substantially different forecasts when we say that the income of resettled remote workers will grow at 15% over the next five years.

## Original Analysis

The Prosperity Plan includes a small - Macro Economic Model with a five year forecast detailing fiscal impact. We focus on answering the two questions:

Is the SEZ fiscally sustainable?

Does the SEZ create a fiscal benefit for the host?

Then we model a case study of a Cape Economic Zone.

## **Features of the CEZ**

Under the South African Constitutional Guarantees, The CEZ is more akin to a gated community than it is to an independent state.

Takes a simple majority of Parliament to implement.

Can be implemented in Weeks.

Does not require international approvals

Does not require Capital!

The incoming Workers bring the Capital both in cash and human skills. These workers typically earn \$6,000 per month plus and spend their money locally on utilities, housing, food, travel and services.

## **Remote workers**

Post Covid 19 a new class of remote workers in their twenties and thirties has arisen across all the major economies of the world. These Millennials and Gen Z workers are rich, tech savvy, young, connected, have disposable income, and are mobile. This labor intensive industry is one of the fastest growing industries in the world. We propose this as our core specialisation.

A significant portion of these remote workers resonate to libertarian principles. They reside in a number of cities, but we would target Tokyo, Hong Kong, Singapore, Dubai, Tel Aviv, Amsterdam, London, Dublin, New York, San Francisco.

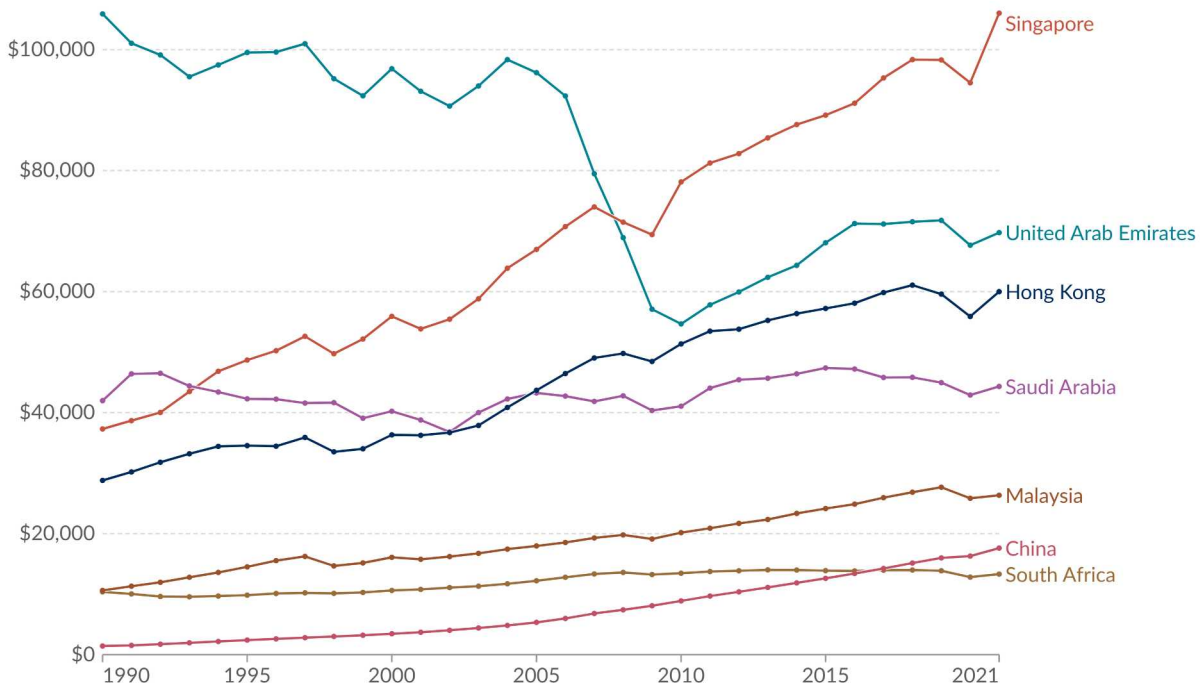
## **Example : Singapore, HongKong, UAE**

Tine after time over the last fifty years we are presented with success stories for Special Economic Zones. There are few better examples than of Singapore vs Malaysia, Hong Kong vs China and UAE vs Saudi Arabia.

It is not even close. The designated areas completely outperform, much larger areas, much larger populations and much larger stores of natural resources. Singapore is the run away success. We note that these are not Special Economic Zones in the sense that we are proposing for the CEZ.

# GDP per capita

This data is adjusted for inflation and for differences in the cost of living between countries.



Data source: World Bank (2023)

OurWorldInData.org/economic-growth | CC BY

Note: This data is expressed in international-\$<sup>1</sup> at 2017 prices.

1. **International dollars:** International dollars are a hypothetical currency that is used to make meaningful comparisons of monetary indicators of living standards. Figures expressed in international dollars are adjusted for inflation within countries over time, and for differences in the cost of living between countries. The goal of such adjustments is to provide a unit whose purchasing power is held fixed over time and across countries, such that one international dollar can buy the same quantity and quality of goods and services no matter where or when it is spent. Read more in our article: [What are Purchasing Power Parity adjustments and why do we need them?](#)

The successful elements that can be emulated are imported all these City States had in common a plan to attract capital and attract high earners. The city states are not without risk. See the case of the UAE. In 2006 it hits a debt wobble and there is a dramatic drop in per capita GDP, led largely by a capital flight.

## The Nay Sayers

They say that when you decide to get married the first thing you agree to is the divorce. Similarly when making a proposal it is best up front to deal with the objections. I break the objections into two groups, the nationalists and the socialists.

The **nationalists** include all the irrational xenophobic arguments or the tedious discussions about preserving culture right up to the stubborn biggots who simply won't accept anything that is not their preconceived narrative.

The **socialists** include all the economic arguments ranging from Capitalism to Marxism and everything in between. To succeed unimpeded, we must deal with them all. These systems are inextricably intertwined and are arguably always mixed systems.

The socialists in context of South Africans and the Cape Economic Zone are all those that are not libertarian thinkers.

This paper will deal will give all the Naysayers logical answers with real world histories. The paper must prove that all parties are better off. There may be some eggs that are broken before the omelette is made, but we will deal with those few cases honestly and openly. To those that will never accept logic, we may fall short.

## **The Cape Economic Zone**

Politics will decide how big the CEZ can be. We propose that the Cape Economic Zone extends from Cape Town to George to Kimberly to Alexander Bay, that the Northern Cape and Western Cape are wrapped in the SEC. If “Die oomblik is te groot vir ons” let us at least start with Simonstown. Every day that we wait, the situation in the rest of South Africa deteriorates. It is time for bold non political moves.

For modelling purposes the analyst has to be practical. Macro economic data has to be available and is best taken only from reliable sources. In most cases, certainly South Africa, national macroeconomic data is easily attainable. Provincial data is a little more obscure. If we are going to model the impact of a CEZ, the s two simples models tu use are on that takes up the Western Cape And one that takes up the Western Cape and the Northern Cape.

Current Land Owners hold their title

Expropriation is only under extreme circumstances and is always fully compensated. It is the clear intention of the CEZ to increase the value of land inside the CEZ whether under private or public ownership.

Rates taxes are kept to a mimimum and generally include only the shared cost of infra structural development.

Residents are either citizens of South Africa or foreign passport holders. All residents carry the CEZ Residence Visa. The residents are subject to a modified tax system.

There will be facilities for current residents to opt out, but incoming residents, even South Africans from outside the CEZ must purchase a CEZ Visa

The success of the CEZ will depend on

It is envisioned that the Visa will cost \$ 1,000 per month. This is a flat rate payable by all residents who are then exempt from South African income tax and inheritance taxes.

Residents are entitled to very basic health and security services. Very few other services are offered.

VAT is increased to 20 percent if it includes a party that resides in the CEZ.



## **The Tax agreement**

The CEZ collectively will enter into a Tax agreement with an escalation with the South African Fiscus. The Fee is calculated on the current fiscal transfer currently between the CEZ and the Fiscus less any non CEZ areas.

The Fiscus gets a better fee and a better growth forecast, so that there can be no argument that the CEZ is stealing Revenues from the Fiscus.

The Tax agreement is between the CEZ and the Residents and is aimed at offering the Workers a better deal than they get from their current locations. The nett effect is increased foreign revenue, increased local expenditure and private investment and land purchases are encouraged.

## **Africa according to Sobukwe**

"Here is a tree rooted in African soil, nourished from the rivers of Africa. Come and sit under its shade and become with us, leaves of the same branch and branches of the same tree "

- Robert Mangaliso Sobukwe

This open door invitation creates massive opportunities for libertarians, who need simply to understand African Democratic Socialism and the fruit will come falling from the tree. Obey the Laws and you are free to make your choices. Keep you activities open and transparent and do not harm Africans.

One thing you are going to meet is Africans. Africans are those that give their loyalty ONLY to Africa and accept the decision of the African Majority.

The libertarian framework of Special Economic Zones can be implemented in most countries, simply because the libertarian approach leads to the faster economic growth. There are urgent applications in Africa, where per capita GDP is on the decline.

The CEZ is not a break away or Independent state and remains an integral part of South Africa and its laws. We intentionally stand back from government and hand these functions to politically elected majorities, In the case of South Africa, we recommend Bloemfontein and Pretoria.

In the case of analysing African opportunities, we suggest following the principles of Mangaliso Robert Sobukwe :

One race, the human race.

We reject the economic exploitation of the many for the benefit of the few.

Borrowing then the best from the East and the best from the West, we nonetheless retain and maintain our distinct personality.

The days of small, independent countries are gone, there is a growing feeling, among politically conscious Africans throughout the continent that their destiny is one.

We guarantee no minority rights because we think in terms of individuals not groups.

We aim, politically, at a government of the Africans by the Africans for Africans, with everybody who owes his only loyalty to Afrika and who is prepared to accept the democratic rule of an African majority being regarded as an African.

In summary we stand for an Africanist Socialist Democracy

## **The Viza**

The Viza is targeted at remote workers in the targeted Northern cities. Residents will need to pay the Viza and show that they have a foreign Income. They can stay as long as they have foreign income, they can purchase local property and investments. There is no exchange control,

In the CEZ there is basic security and emergency health, but all other services like education and entertainment are purchased,

There is no income tax, wealth tax. All goods and services are subject to VAT and there are no overhanging liabilities.

# The Prosperity Plan

Submission by Philip Copeman and Marc Beckenstrater

## The pillars

The goal

The plan

The measure

Emulation

The firewall

## The goal

South Africa has an Economy that grows slower than the maturing labour force. The result is declining per capita income, rising unemployment and rising inequality.

The Prosperity Plan advocates a set of libertarian Special Economic Zones that boost growth in per capita GDP. The concept is discussed theoretically, then as an application to South Africa and then specifically as a pilot an SEZ for the Cape.

While this concept should work in many mixed economies, the scope allow us only to deal with the Cape Study in detail.

## The plan

The first part of any Plan is to actually have a Plan. This may seem obvious, bit in the hurly burly of a mixed economy, political rivalries can often take precedence. It is hoped that the SEZ's can bypass these inertias and kick into action as the urgency demands.

There must be a clear plan and this must be actively supported by the Parliament and the Executive. The Prosperity Plan implements a Firewall between Politics and the Economy. We define good practice principles for managing a socialist economy with economic zones that are governed by high growth principles.

The Prosperity Plan takes advantage of the rapid growth of Liberated systems, their ability to pull in investment resources and to free themselves from the crowding out effect that is typical of mixed economies that are driven by democratic forces that choose current consumption over investment in the future.

The SEZs offer the host community the opportunity to profit off the dividends much as a sovereign wealth fund profits off national investments.

The CEZ offers us all a unique opportunity to implement this theory in Real time. The CEZ can be implemented in weeks and show immediate benefits.

## **The measure**

Want to get a hundred different opinions about the same topic with no consensus? Put a hundred economists into the same room and ask them to take a decision. To avoid mayhem we use a model and agree up front how to interpret the output.

We define prosperity as the growth of GDP per capita at real prices.

As long as the plan reduces unemployment, the goals of reducing poverty and inequality follow. We argue this fully in detail.

In the Case of the Cape Economic Zone, we show how rapid growth in per capita real GDP will improve all levels of society. In particular the unemployed and the poor. We show that inequality is inevitable in the short run, but reduces the more successful the Zone becomes.

## **Emulation**

There is no need to invent anything new. We should investigate the world's data, trust it and build models that exceed the performance of the world economy. When we imply emulation we mean we take the best and leave the worst.

For example Israel. Israel imports high quality workers and lifts GDP ten times (real pcGDP) over neighbouring Jordan. That is something good to copy. Open war on your citizens is not.

## **The firewall**

Success for the Prosperity Plan is premised on the buy-in of the citizens of the host country. However it requires a hands off approach and guarantees to the incoming investors that their assets can be acquired and built without fear of tenure or taxation.

The idea of the firewall is that each economy harms the other. Under the socialist mixed economy, unemployment is high. As explained by Okuns Law this causes the economy to perform below its potential, leads to less investment leads to more unemployment. The poor bear the brunt of this as the resources are stretched.

In the case of the South Africa and the CEZ, the high growth policies don't pass the muster of the socialist policies and would hurt the poor in the short run. Worse the Workers won't arrive. To woo the Workers we introduce a Firewall around the CEZ and turn on the high growth policies like a minimum Visa tax and increased VAT.

We note the socialist nature of the South African constitution. It is critical in SA to use the energy of the citizens and it is pointless to define an economic system that is contrary to the cultural systems of the voting majority. A cultural clash will lead to push back and a long cycle of objection. We must create safeguards to ensure that libertarians get the room they desire to grow.

It helps not if there is a massive disparity in inequality. Left unchecked the libertarian approach is likely to grow faster than the socialist approach. The temptation will always be there (as it is in a

mixed economy to allow decisions that go against the definition of winning. The best way to run this is to make the best of a socialist economy using best practices. We will detail how this leads us to propose a well managed Socialist Economy and Special Economic Zones that can be implemented quickly with a simple Parliamentary majority and a set of good governance principles for a socialist economy. Such a proposal would create a country of democratic socialism in which the aspirations of nationalists, capitalists, socialists and marxists. Such an economy is what we currently have. We limit the scope of this document to simply recommend principles of good governance for running such a country.

Core to libertarian principles is to have minimal government. We develop an empirical example of a Cape Economic Zone, CEZ of whatever size is acceptable. We are recommending as big as is acceptable to the constitution. We are recommending the settlement of millions of immigrant Workers who are recruited for their desire to live a libertarian lifestyle. These Workers are isolated into the SEZ and given conditions in which they can thrive. The Visa agreement is bound by an overall rental agreement from the Zone to the South African State. The rental of this SEZ is on terms such that the body of the country clearly benefits, but residents of the CEZ are given clear tax guideline and guarantees of tenure of investments made, including Land.

We also recommend that other zones are set up as soon as possible, but it is beyond the scope of this document. Contributors of other similar zones, who can contribute the required resources are welcome.

# Principles

## Emulation

Ideas cannot be theoretical but must be demonstrated by comparison to successful countries. We take the good and leave the bad of examples. For purpose of analysis we fly in the face of current politics and focus on the economic lessons

The examples we use are  
ANC SA / Apartheid  
Israel/Jordan  
California  
Singapore/Malaysia  
Hongkong/China

Emulation is a critical component of effective growth policy decision-making because it allows countries to learn from the successes and failures of others, rather than reinventing the wheel or repeating costly mistakes. By carefully studying and selectively adopting policies, strategies, and best practices from nations that have achieved economic prosperity, policymakers can accelerate their own development trajectories and maximize the chances of positive outcomes.

The merits of emulation are evident when we examine the remarkable economic transformations of countries like Singapore, South Korea, and China, which deliberately emulated aspects of successful models while adapting them to their unique contexts. Instead of dogmatically adhering to ideological prescriptions or untested theories, these nations pragmatically observed what worked elsewhere and tailored those lessons to their specific circumstances.

For instance, Singapore's economic strategy drew inspiration from the export-oriented industrialization policies pioneered by Japan and the Asian Tigers, coupling outward economic orientation with strategic investments in human capital and world-class infrastructure. South Korea's economic planners studied and emulated aspects of Japan's development model, emphasizing export promotion, strategic industrial policies, and public-private collaboration in targeted sectors.

Similarly, China's economic rise was catalyzed by embracing market-oriented reforms while learning from the experiences of Asian economic powerhouses like Singapore and studying the successful special economic zones (SEZs) of other countries before establishing its own SEZs like Shenzhen. Rather than reinventing the wheel, China adapted proven concepts to its domestic realities.

The value of emulation lies in its ability to shortcut the often lengthy and costly process of trial-and-error policy experimentation. By observing the real-world impacts of various economic policies and institutional arrangements across diverse contexts, policymakers can identify empirically validated strategies that have demonstrably yielded positive outcomes. This evidence-based approach mitigates the risks associated with untested theories or ideologically driven policies that may look appealing on paper but falter in practice.

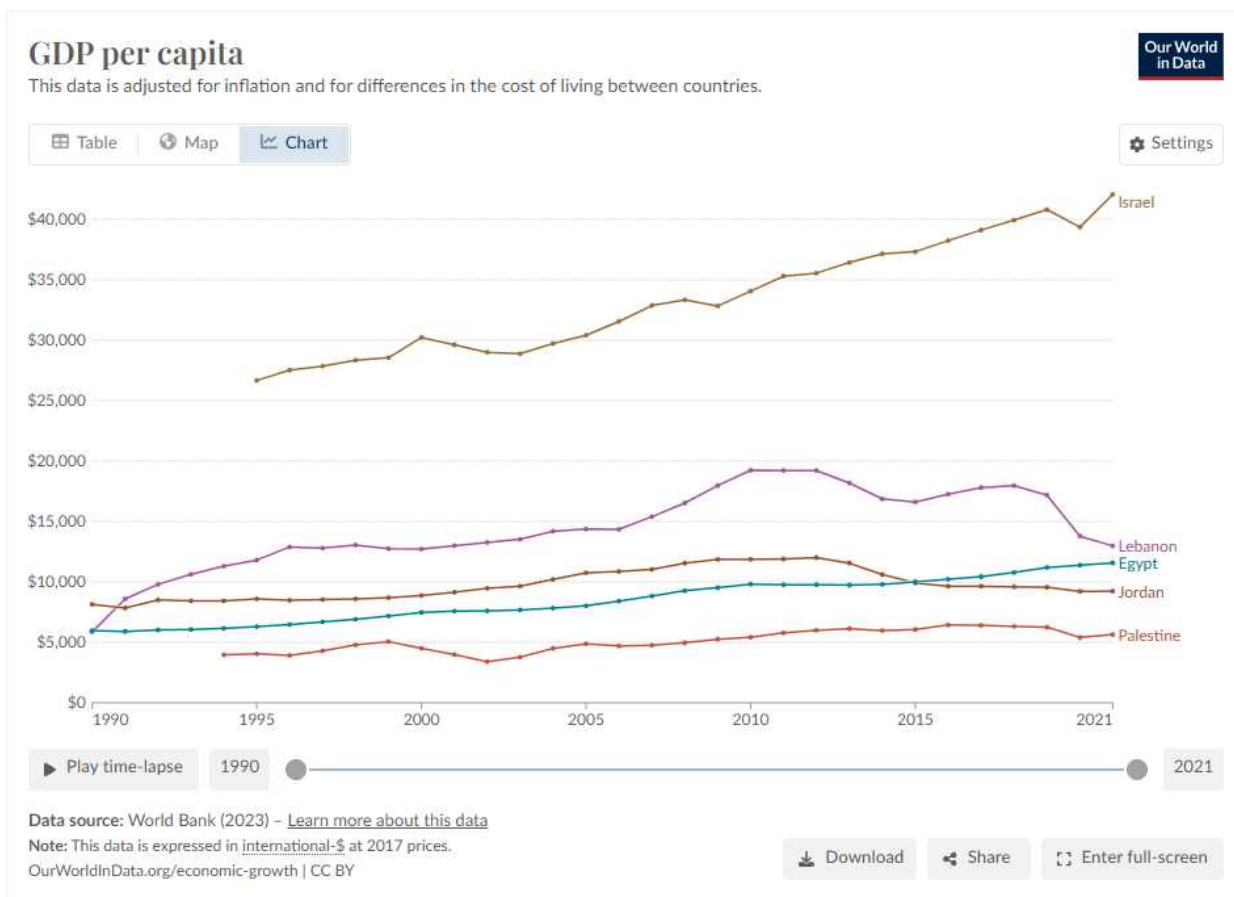
Moreover, emulation allows for the cross-pollination of ideas and the diffusion of innovations across borders. Successful policies or models in one country can inspire and inform initiatives in others, facilitating the spread of effective solutions to common economic challenges. This shared learning accelerates progress and prevents each nation from operating in isolation or continuously stumbling over the same hurdles.

However, it is crucial to emphasize that emulation is not a matter of blind imitation; it requires discernment, adaptation, and contextual intelligence. Policies that thrive in one setting may require significant modification to succeed elsewhere due to differences in resource endowments, institutional legacies, cultural factors, or development stages. Effective emulation involves carefully studying the underlying principles and mechanisms that drove success in other contexts while tailoring the implementation to local realities.

By judiciously emulating proven successes, learning from failures, and adapting best practices to their unique circumstances, countries can chart more informed and de-risked paths toward economic growth and development. Emulation allows policymakers to leverage the collective wisdom of global experiences, avoiding costly reinventions while benefiting from the valuable lessons offered by the varied policy experiments of other nations.

## Example : Israel

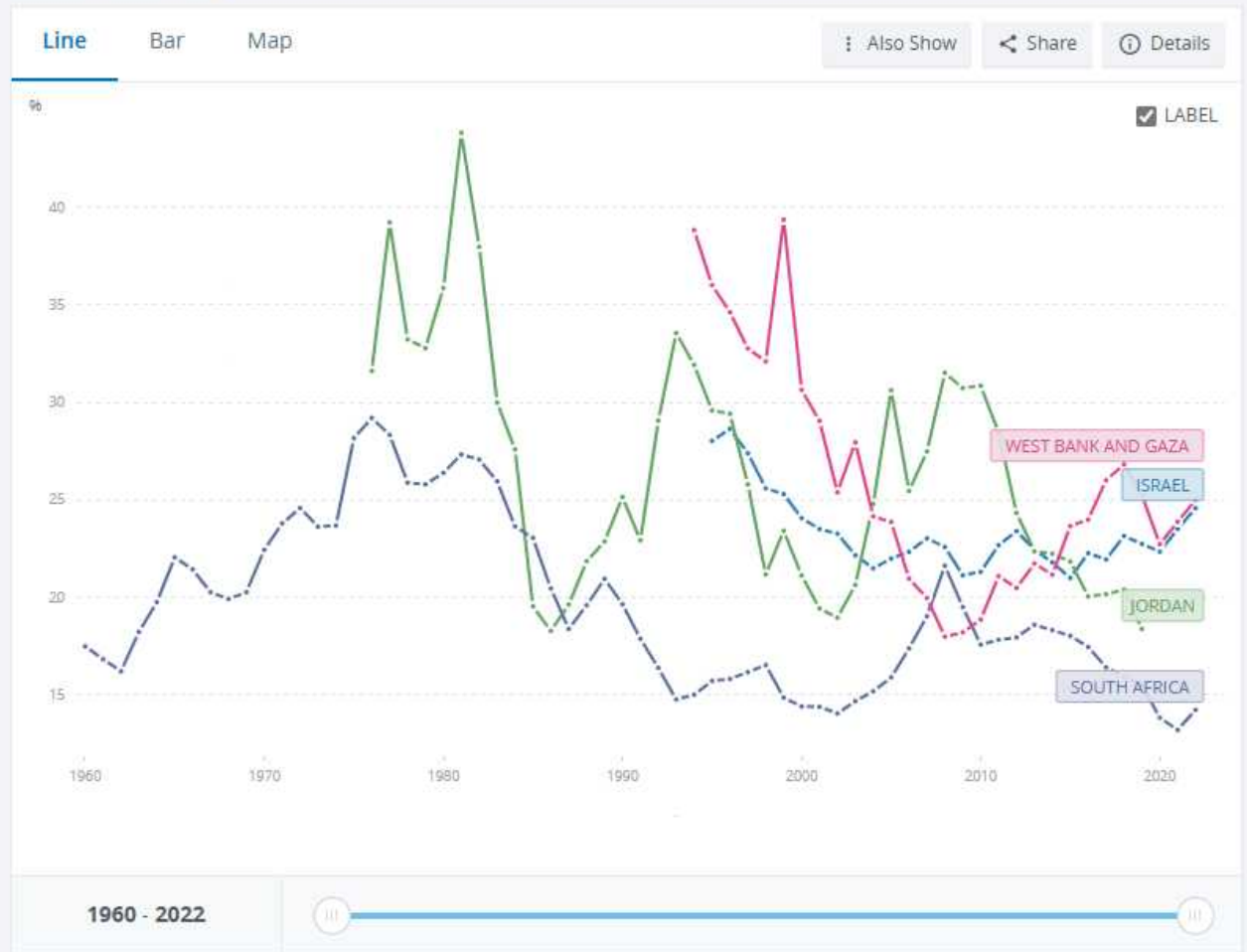
To take Israel as a case study, one has to divorce oneself from the current traumatic events and look only at the economic data. Nobody is suggesting bring in a whole bunch of Workers and start a war with the locals. What is remarkable about Israel is the economic success even in the face of the political events and that bears scrutiny.



# Gross fixed capital formation (% of GDP) - Israel, Jordan, South Africa, West Bank and Gaza

World Bank national accounts data, and OECD National Accounts data files.

License: CC BY-4.0



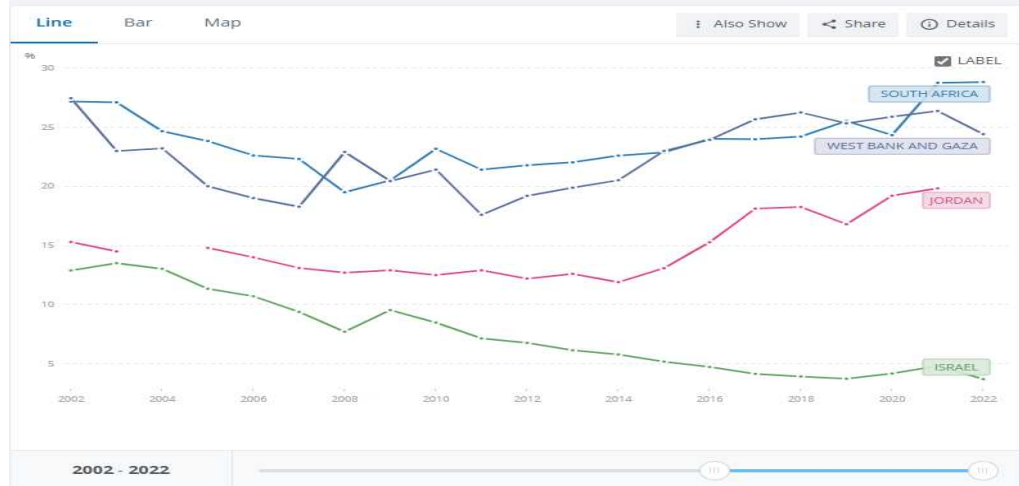
Israel is a small piece of land, has no natural resources, and attracts and little gross capital formation, yet the per capita GDP of Israel keep bounding forward over its neighbours. What Israel does have in a constant inflow of high nett worth immigrants who have high incomes. This means that their economy fires on full employment

# Unemployment, total (% of total labor force) (national estimate) - South Africa, Israel, West Bank and Gaza, Jordan

International Labour Organization. "Labour Force Statistics database (LFS)" ILOSTAT. Accessed February 06, 2024.

ilostat ilo.org/data

License: CC BY-4.0



# Macroeconomics

Macroeconomics began in the 1930s with John Maynard Keynes. Until then Economics was basically Classical economics and centred around Guns and Butter choices. One of the key breaks from classical economics was to introduce the idea of aggregate demand –  $Y$ .

In the post Keynesian world led by economists at Cambridge, we have been able to develop frameworks for analysing and measuring growth economics/ These ideas may be daunting and first, but are actually a simplification and soon will become tools that you are able to use.

Here is a one-page introduction to macroeconomics and why the macroeconomic framework is useful for analyzing special economic zones in South Africa:

Macroeconomics is the branch of economics that studies the behavior of the entire economy as a whole, rather than focusing on individual consumers or businesses. It examines economy-wide phenomena such as economic growth, unemployment, inflation, international trade, and fiscal and monetary policies. The macroeconomic framework provides a comprehensive lens through which to analyze large-scale economic issues, trends, and policy decisions that have far-reaching impacts across sectors.

When evaluating the potential establishment of Special Economic Zones (SEZs), utilizing a macroeconomic approach is useful for several reasons:

1. **Understanding the National Economic Context:** SEZs are intended to serve as catalysts for economic development, job creation, and increased trade and investment. However, their prospects for success are heavily influenced by the country's overall economic climate, including factors like GDP growth, employment levels, inflation rates, and consumer/investor confidence. Macroeconomic analysis helps assess whether conditions are conducive for SEZs to thrive.
2. **Examining Impacts on Key Economic Indicators:** The introduction of SEZs, with their tax incentives, economic deregulation, and infrastructural development, can have profound impacts on vital macroeconomic variables like employment, price levels, trade balances, and government revenues. Policymakers need robust macroeconomic models to forecast and evaluate these effects.
3. **Coordination with Fiscal and Monetary Policies:** For SEZs to be viable, their design and implementation must be aligned with the government's broader fiscal and monetary policies aimed at stimulating economic growth, managing inflation, and encouraging foreign direct investment. Macroeconomic frameworks facilitate the alignment of micro-level SEZ policies with national macro-policy objectives.
4. **Assessing Economy-wide Effects:** SEZs are not isolated entities; their successes or failures can have ripple effects across the broader economy through linkages with other sectors, labor markets, and supply chains. Macroeconomic analysis captures these inter-industry dynamics and general equilibrium effects.
5. **International Trade and Investment Considerations:** Many SEZs are export-oriented and aim to attract foreign companies. Therefore, understanding the macroeconomic forces shaping international trade patterns, capital flows, exchange rates, and comparative advantages is crucial for maximizing an SEZ's global competitiveness.

6. Macro economic variables act as unit of account when making inter country comparisons. The detail lost by aggregation is more than made up by the analysis that is possible. Comparisons are useful for estimating the effects of emulation.

By employing a macroeconomic lens, policymakers can make informed decisions about the feasibility, design, and anticipated impacts of special economic zones within the larger context of South Africa's national economic goals and global economic positioning. A comprehensive macroeconomic framework is indispensable for conducting rigorous cost-benefit analyses and ensuring SEZs align with the country's long-term development strategies.

## The four riders

The four riders of the apocalypse of the mixed economy : **capitalism**, destined by **marxism** to implode and **socialism** propped up with **nationalism**.

Its incredible, if the Earth were ideologically flat these guys would stand at the four corners, yet in a mixed economy they have a nefarious symbiosis they are all found in various quantities and strengths in all economies, and coexist in some unholy alliance. They are represented by leaders who are elected or selected by a mix of totalitarianism and democracy. Every mixed economy seethes with rivalries. Whatever plan is proposed is torn apart by competing interests.

The aim of the libertarian is to avoid conflict with any of these parties and get them to understand the model, meet their objections, and live free.

# Libertarianism

Libertarianism is a political philosophy maintaining that all persons are the absolute owners of their own lives, while nationalism is a philosophy in which resources of the state are used to promote the interests of a group and socialism is an intermediate phase between capitalism and communism.

We intend to settle a million Workers, enticed by their propensity to live under libertarian principles, in the Cape Economic Zone CEZ.

We describe below with the help of ChatGPT, what the differences are between Libertarian and Socialist systems, and suggest compromises that fulfill the ambitions of the South African Majority.

## 1. View of Government

**Libertarians** advocate for limited government intervention in both economic and social affairs. They prioritize individual liberty and believe that the role of the state should be minimized to protect personal freedoms, property rights, and voluntary exchanges. Libertarians often support a free-market economy with minimal regulations and oppose government involvement in personal matters such as drug use, marriage, and speech. Oppose government regulation, taxation, and social welfare programs, favoring a small, limited government focused on protecting life, liberty, and property.

**Nationalists** emphasize the interests, culture, and sovereignty of a nation-state. While nationalists may vary in their views on the size and scope of government, they generally advocate for a strong state that prioritizes the well-being and security of the nation. Nationalists may support government intervention in the economy, trade protectionism, and restrictions on immigration to preserve the cultural identity and economic interests of the nation.

**Capitalists** propose an economic system characterized by private ownership of the means of production and the pursuit of profit. While capitalism does not prescribe a specific role for government, it generally operates within a framework of laws and regulations that protect property rights, enforce contracts, and maintain competition. Capitalist economies can vary in the extent of government intervention, ranging from laissez-faire capitalism with minimal regulation to mixed economies with significant government involvement in certain sectors.

**Socialists** believe in a more active role for government in regulating the economy and redistributing wealth. They argue for public ownership of the means of production, such as factories, land, and resources, with the goal of achieving economic equality and social justice. Socialists often advocate for government programs to provide healthcare, education, and social services.

**Marxists** call for a strong, centralized government to oversee the transition from capitalism to socialism and eventually communism. Marxists believe that the state should control the means of production, distribution, and exchange to achieve social and economic equality.

## 2. Individual Freedom

**Libertarians** prioritize individual rights and autonomy, emphasizing personal freedom, and voluntary association. They believe that individuals should be free to pursue their own interests and lifestyles as long as they do not infringe upon the rights of others. Libertarians oppose government infringement on civil liberties, such as surveillance, censorship, and restrictions on free speech.

**Nationalists** value individual rights within the context of the nation-state, they often prioritize the collective interests of the nation over individual freedoms. Nationalists may support policies that limit individual rights in the name of national security, cultural preservation, or social cohesion. This can include restrictions on freedom of speech, assembly, and dissent, especially if perceived as a threat to national unity or identity.

**Capitalists** propose a range of economic systems where the means of production, distribution, and exchange are privately owned and operated for profit. Capitalist economies rely on market mechanisms such as supply and demand to determine prices and allocate resources. While capitalism emphasizes individual initiative and free enterprise, government intervention may be necessary to address market failures, protect consumers, and ensure fair competition.

**Socialists** value freedom, but emphasize collective or social freedom over individual autonomy. Socialists argue that true freedom requires economic equality and the elimination of class distinctions. They may support government intervention to ensure equal opportunities and protect the rights of marginalized groups.

**Marxists** emphasize collective liberation and the abolition of class distinctions. While Marxists argue that their ideology ultimately leads to greater freedom for the masses, they often prioritize the interests of the collective over individual liberties, especially during the transition period to socialism.

## 3. View of Diversity and Globalization

**Libertarians** embrace diversity and globalization, viewing them as natural consequences of free markets and individual freedom. They support open borders, free trade, and cultural exchange, believing that these promote economic prosperity and personal liberty. Libertarians argue that government restrictions on migration and trade hinder economic growth and limit individual opportunities. Has a more cosmopolitan and globalist outlook.

**Nationalists** may be wary of diversity and globalization, perceiving them as threats to national identity, sovereignty, and economic interests. Nationalists may advocate for immigration restrictions, protectionist trade policies, and cultural preservation measures to safeguard the nation's interests and identity. They may view globalization as eroding national sovereignty and undermining traditional values.

**Capitalists** promote individual initiative and economic freedom, its primary focus is on the efficient allocation of resources and the creation of wealth. Capitalist societies prioritize economic growth, consumer choice, and competition as means to improve living standards and raise overall prosperity. While capitalism can enhance individual liberty by providing economic opportunities, it may also lead to inequalities of wealth and power that challenge the realization of full individual autonomy.

**Socialists** advocate for collective ownership and democratic control of the means of production. They argue that this arrangement can eliminate exploitation and ensure that resources are used for the benefit of society as a whole rather than for private profit. Socialists often support centralized planning or worker cooperatives as alternatives to capitalist markets.

**Marxists** advocate for a classless society where the means of production are collectively owned and controlled by the workers. Marxists criticize capitalism for exploiting the working class and perpetuating inequality, advocating for a planned economy where goods and services are distributed according to need rather than profit.

#### 4. View of Property

**Libertarians** strongly defend private property rights as essential for individual freedom and economic prosperity. They argue that individuals have the right to own and control their property without interference from the government or other individuals.

**Nationalists** advocate for the interests and sovereignty of a particular nation-state over those of other nations or a global community. Often promotes a sense of national pride, unity, and cultural identity. May advocate for protectionist economic policies and restricted immigration. Have a more inward-looking and isolationist perspective

**Capitalists** propose forms of capitalism that concentrate economic power in the hands of a few large corporations, which libertarians would object to as a violation of free markets. Some forms of capitalism allow for some government regulations, public services, and social safety nets, which libertarians tend to oppose.

**Socialists** challenge the institution of private property, particularly in the means of production. They argue that private ownership of capital leads to exploitation and inequality. Socialists advocate for the collective ownership of productive resources to ensure that wealth is distributed more equitably among all members of society.

**Marxists** challenge the concept of private property, distinguishing between personal property (e.g., homes, personal belongings) and the means of production (e.g., factories, land, resources), which Marxists believe should be collectively owned and managed by the working class.

## 5. International Relations

**Libertarians** advocate for a non-interventionist foreign policy that prioritizes diplomacy, trade, and peaceful cooperation with other nations. They oppose military intervention, nation-building, and foreign aid, arguing that these actions violate national sovereignty and often lead to unintended consequences. Supports open borders and free movement of people, goods, and capital.

**Nationalists** may adopt a more assertive foreign policy that prioritizes the interests and security of the nation, even if they conflict with global interests. They may support military intervention to protect national interests, assert dominance in regional affairs, or promote the spread of national values abroad. Nationalists may be skeptical of international alliances and organizations that they perceive as undermining national sovereignty.

**Capitalists** are characterized by private ownership of the means of production and the pursuit of profit. While capitalism does not prescribe a specific role for government, it generally operates within a framework of laws and regulations that protect property rights, enforce contracts, and maintain competition. Capitalist economies can vary in the extent of government intervention, ranging from laissez-faire capitalism with minimal regulation to mixed economies with significant government involvement in certain sectors.

**Socialists** challenge the institution of private property, particularly in the means of production. They argue that private ownership of capital leads to exploitation and inequality. Socialists advocate for the collective ownership of productive resources to ensure that wealth is distributed more equitably among all members of society.

**Marxists** view capitalism as an exploitative system that must be abolished. Rooted in the ideas of Karl Marx, with a focus on class struggle and overthrowing capitalism.

## Special Economic Zones

Special Economic Zones (SEZs) are designated geographical areas within a country that are subject to unique economic regulations and incentives aimed at promoting investment, trade, and economic development. Governments establish SEZs for several reasons:

**1. Attracting Foreign Direct Investment (FDI):** SEZs offer favorable conditions and incentives to attract foreign investors, such as tax breaks, customs duty exemptions, and streamlined regulations. By creating a business-friendly environment, governments aim to encourage multinational

corporations to establish operations within the SEZ, bringing in capital, technology, and employment opportunities.

**2. Export Promotion:** SEZs often focus on export-oriented industries, providing infrastructure and support services tailored to meet the needs of exporters. Governments may offer incentives such as duty-free imports of raw materials and intermediate goods, simplified customs procedures, and access to international markets to encourage businesses to produce goods and services for export within the SEZ.

**3. Job Creation and Economic Growth:** SEZs stimulate economic activity and create employment opportunities by attracting investment and fostering industrial development. By concentrating resources and infrastructure in designated areas, SEZs can promote the growth of specific industries and generate employment for local communities.

**4. Technology Transfer and Innovation:** SEZs facilitate technology transfer and innovation by providing a conducive environment for research and development (R&D) activities, collaboration between academia and industry, and the adoption of advanced technologies. Governments may offer incentives to encourage companies to invest in R&D within the SEZ, leading to the creation of new technologies and products.

**5. Regional Development:** SEZs can contribute to the development of less economically developed regions by attracting investment, infrastructure development, and job creation. Governments may establish SEZs in remote or underdeveloped areas to stimulate economic growth, reduce regional disparities, and promote inclusive development.

Overall, Special Economic Zones serve as instruments for governments to attract investment, promote export-oriented industries, create jobs, stimulate innovation, and foster economic development in specific geographical areas. They offer a targeted approach to economic policy, providing tailored incentives and infrastructure to support the growth of key industries and attract domestic and foreign investment.

## **Assume a can opener**

A priest, an engineer, and an economist are stranded on a desert island with just a crate of canned food to survive. They are extremely hungry but had no way to open the cans.

The priest has a brilliant idea. He faces towards Jerusalem, genuflects and starts rubbing the metal lid against a rock, hoping the friction would eventually break the seal. After a few hours of intense labor, he stopped to catch his breath, having made zero progress.

The engineer then takes the can and starts examining it meticulously. She sketches some rough designs in the sand and started lashing together a crude lever using bamboo, vines, and coconut shells. With a running start, she slammed the lever onto the lid, but it didn't even leave a dent.

Exasperated, they turn to the economist. "Surely you must have a solution for opening this can!" they plead.

The economist, with supreme confidence, replies, "Assume we have a can opener..."

The joke pokes fun at economists' tendency to make simplified assumptions in economic models that may not always reflect reality. By assuming the existence of a can opener, economists bypass the practical problem at hand rather than devising an actual solution.

In trying to develop or critique the Prosperity Plan with a "better alternative" please do not "assume a can opener".

## **War and Stability**

For anyone tempted to use military means or coercive force to create prosperity, history has repeatedly demonstrated that war and economic instability are antithetical to investment and GDP growth. Lasting economic development and progress hinge on an environment of peace, stability, and adherence to the rule of law. War represents a diversion of valuable resources away from productive economic activities and towards destructive ends. The human and financial costs of armed conflict are staggering, diverting funds that could have been invested in education, infrastructure, research and development, or other growth-driving initiatives. Furthermore, war breeds an atmosphere of uncertainty that deters both domestic and foreign investment, as investors seek more stable environments to deploy their capital safely and profitably.

The erosion of human capital through casualties and displaced populations, the degradation of institutional capacities, and the psychological toll on societies reverberate through economic

performance long after the last shots are fired. Restoring investor confidence in war-torn regions is a gradual process hindered by continued insecurity.

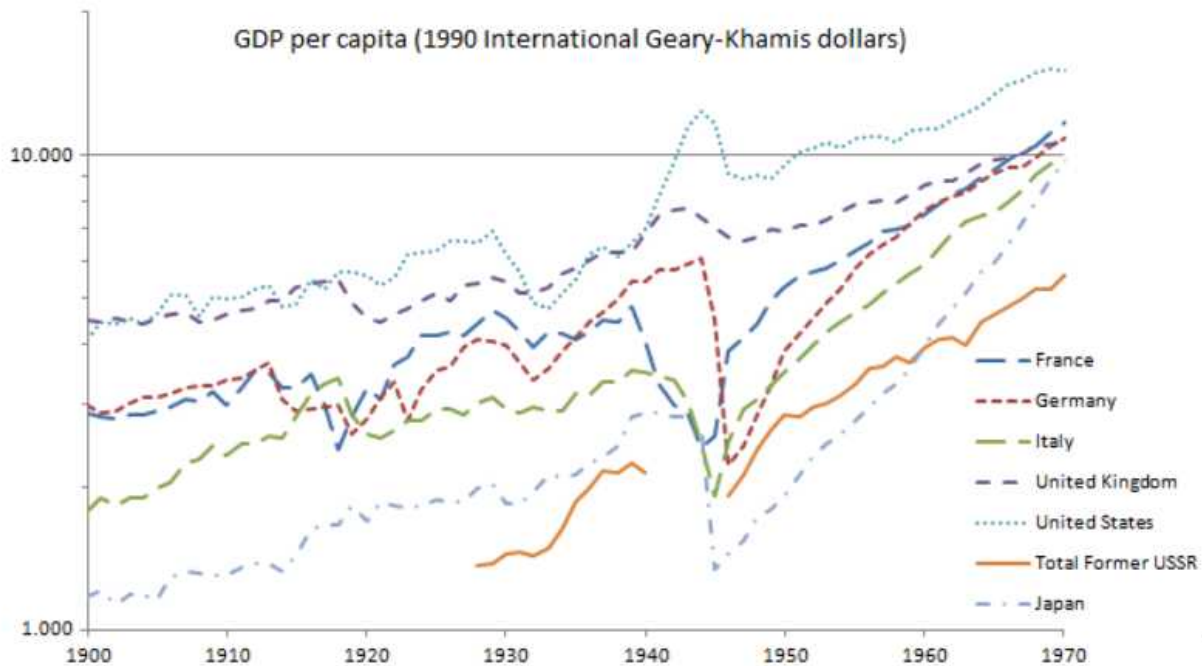
Even in the absence of outright warfare, the threat of conflicts or the persistence of economic instability serves as a significant deterrent to investment and growth. Unpredictable policy environments, weak enforcement of contracts, corruption, and macroeconomic volatility elevate risks and uncertainty, dissuading business activities that drive job creation, innovation, and expansion of productive capacity. Stable economic frameworks, transparent regulations, and reliable institutions are prerequisites for attracting the capital inflows that foster sustainable economic development.

Conversely, regions that cultivate durable peace and economic stability tend to benefit from a virtual cycle of growth and prosperity. The assurance of security incentivizes businesses to take on greater risk and make longer-term investments in productive capacity, human capital, and technological advancement. A stable economy inspires confidence in consumers and investors alike, stimulating consumption and investment, the twin engines of GDP growth. Furthermore, prosperous societies enjoy the resources to reinforce the foundations of their stability through investments in education, infrastructure, and effective governance.

While conflicts and instability may offer perceived short-term gains for those who initiate them, the long-term economic consequences are overwhelmingly destructive. Lasting prosperity is cultivated through the hard work of establishing an environment defined by the rule of law, economic freedom, protection of property rights, and unwavering commitments to peace and political stability. These bedrock conditions create the certainty that businesses and investors require to channel their capital towards productive economic activities that elevate human welfare. For any nation or region, prioritizing economic stability is among the surest paths to sustained growth, development, and a higher standard of living for all.

### **Example : World War Two Combatants**

These are all famous developed economies, but there is no doubt what the effect of war are – devastated GDP. Whenever the analysts turn to using force, this chart is a good reference to shelve the idea.



Source : Stack Exchange History Group

World War One a combatants take a knock, but once the Generals figure out how to bomb factories and civilians, GDP falls through the floor.

There is another interesting feature of the combatants is that the growth of Germany and Japan after 1945. These are two economies that have been completely flattened, yet given a life line of capital from the Marshall plan, they are able to bounce back spectacularly. Starting from way behind in 1945, by 1970 the have over taken the UK in GDP.

Germany and Japan Bounce **without natural s resources**. There is a take away – It is not Land, but capital and entrepreneurship that matter.

## Population

Population plays a crucial role in the calculation and interpretation of GDP (Gross Domestic Product). Here's how population is factored into the GDP calculation and analysis:

### GDP calculation:

GDP is calculated by adding up the monetary value of all final goods and services produced within a country's borders during a given period, typically a year. The total GDP is then divided by the country's population to derive the GDP per capita, which is a more meaningful measure of the average economic output or income per person.

While population size is a significant factor in GDP calculations and analysis, it is not the sole determinant of economic growth and development. Other factors, such as technology, productivity, resource endowments, institutional frameworks, and economic policies, also play crucial roles in shaping a country's economic performance.

### **Economic output and income:**

Population size is a key determinant of a country's potential economic output and income. A larger population generally means a larger workforce, which can contribute to higher production levels and overall economic activity. However, this relationship is not linear, as other factors like productivity, capital investment, and resource availability also play crucial roles. We use a post Cobb Douglas model, and retain the log linear relationship

### **Domestic consumption:**

Population size is closely linked to domestic consumption, which is a significant component of GDP. A larger population typically implies higher aggregate demand for goods and services, such as food, housing, healthcare, and entertainment. This domestic consumption contributes directly to GDP through household expenditures.

### **Labor force and productivity:**

Population dynamics, including age structure, education levels, and migration patterns, influence the size and quality of a country's labor force. A growing and skilled labor force can enhance productivity and economic growth, while a stagnant or aging population may pose challenges for long-term economic expansion.

### **Market size and economies of scale:**

A larger population can provide businesses with a larger domestic market, enabling them to achieve economies of scale and enhance their competitiveness. This can lead to increased production, innovation, and potential export opportunities, further contributing to GDP growth.

### **Infrastructure and resource demands:**

Population growth and distribution also impact the demand for infrastructure, housing, and public services, which can influence government spending and investment decisions. These investments, in turn, can contribute to or detract from GDP, depending on their efficiency and productivity.

### **Per Capita GDP**

$$\text{GDP per capita} = \text{Total GDP} / \text{Total Population}$$

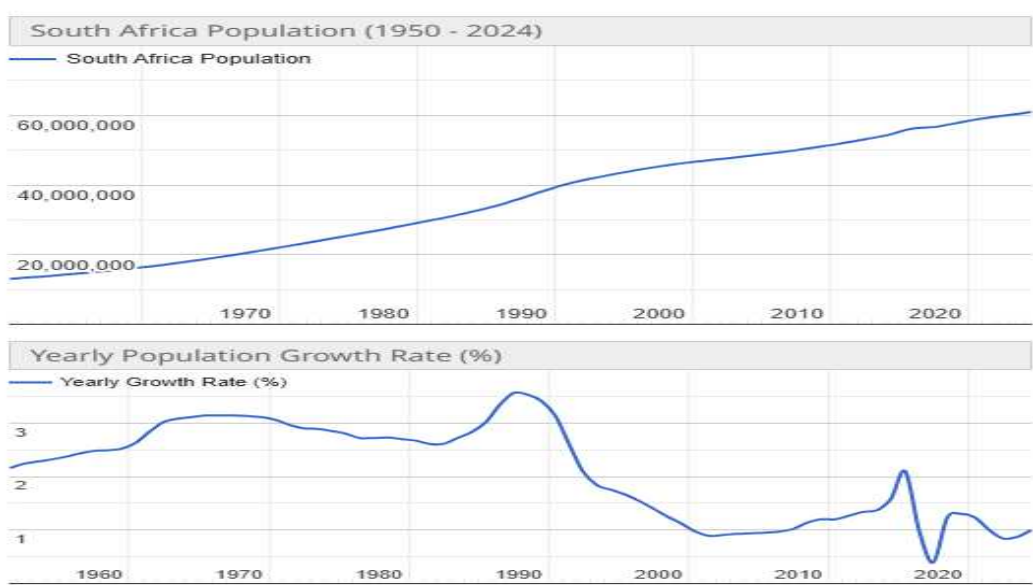
Policymakers and economists often analyze GDP per capita, rather than total GDP, to assess a country's standard of living and economic well-being relative to its population size. This metric

allows for more meaningful comparisons across countries and over time, providing insights into the allocation and distribution of economic resources among the population.

## The South African Case

Forecasting population is straightforward. Population growth is stable. What makes GDO growth so urgent in the South African case urgent is not so much the growing population, which is well under control, but the build up of unemployed. The unemployed depress GDP growth and there are disturbing studies that show that if young workers have not been employed by 25, their future ability to produce at high levels is severely impaired.

# South Africa Population (LIVE) 60,955,333



# GDP

GDP (Gross Domestic Product) is a widely used economic indicator that measures the total monetary value of all final goods and services produced within a country's borders during a specific period, typically a year. It is the broadest quantitative measure of a nation's economic activity and serves as a comprehensive scorecard for a country's economic performance.

## Effect of an immigrant

When it comes to the impact of immigration on GDP, one scenario where GDP can improve is when an immigrant arrives with a foreign income. Here's how it works:

Suppose an immigrant moves to a country while maintaining their existing foreign income source, such as a pension, investments, or remote employment in their home country. This foreign income represents a new inflow of money into the domestic economy.

When the immigrant spends this foreign income within the country, it generates economic activity and contributes to the domestic production of goods and services. For example, the immigrant may use their foreign income to:

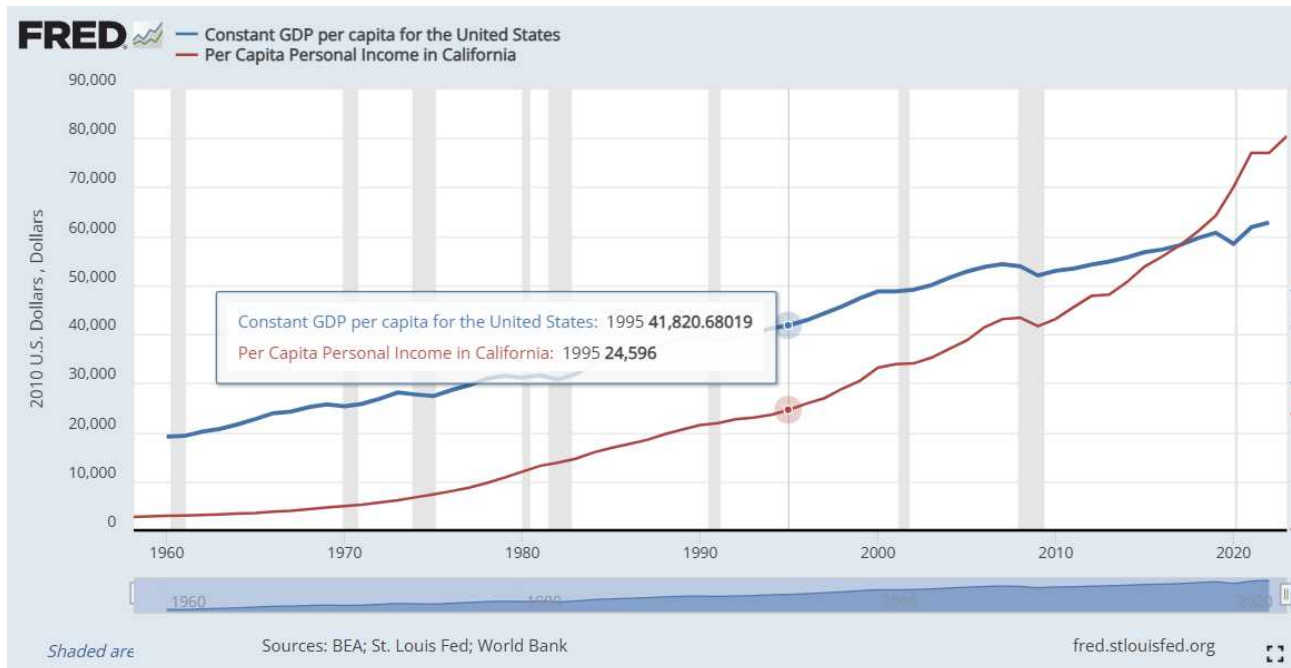
1. Rent or purchase housing, contributing to the real estate and construction sectors.
2. Purchase consumer goods like food, clothing, and household items, supporting retail and manufacturing industries.
3. Pay for services like healthcare, education, or entertainment, boosting the service sectors.
4. Invest in local businesses or financial instruments, stimulating economic activity through increased capital inflows.

All of these economic activities resulting from the immigrant's foreign income generate value-added production within the country, which is captured in the calculation of GDP. Specifically, the immigrant's expenditures contribute to the consumption component of GDP, while any investments made contribute to the investment component of GDP.

Furthermore, the immigrant's foreign income also creates a multiplier effect within the economy. As the immigrant's money circulates through various sectors, it generates additional income for businesses, workers, and suppliers, who then spend a portion of their earnings, creating further economic activity and production.

## Example of GDP success : California

California's economic growth and its rise to become one of the wealthiest states in the United States can be attributed largely to immigration and the development of skilled labor, despite not having significant natural resource advantages compared to other states.



Regarding per capita GDP, California started from a relatively low base compared to the national average in the 1960s. However, it has consistently outpaced the overall U.S. growth rate in recent decades. Here are some illustrative figures:

1. In 1963, California's per capita GDP was \$3,548 (in constant 2012 dollars), while the U.S. average was \$4,115, putting California about 14% below the national level.
2. By 2021, California's per capita GDP had grown to \$79,405, while the U.S. average was \$63,544 (in current dollars). This means California's per capita GDP was around 25% higher than the national average.
3. From 1997 to 2021, California's per capita GDP grew at an average annual rate of 3.1%, outpacing the national average of 2.5%.

This remarkable growth can be attributed to several factors, including:

1. Immigration: California has been a major destination for immigrants, both from other states and internationally. This influx of skilled labor has fueled the growth of various industries, such as technology, entertainment, and agriculture.

2. Skill development: California has invested heavily in its education system, including top-tier universities like Stanford, Caltech, and UCLA. This has helped nurture a highly skilled and innovative workforce, attracting and retaining talent in high-value industries.

3. Economic diversification: While California does not have significant mineral resources, it has developed a diverse economy spanning various sectors, including technology, finance, entertainment, tourism, and agriculture.

The growth and specialization of California's three major cities exemplify this economic transformation:

1. **Los Angeles:** Known as the entertainment capital of the world, Los Angeles has become a global hub for the film, television, and music industries. It is also a major center for international trade, tourism, and aerospace manufacturing.

2. **San Francisco:** The San Francisco Bay Area is a leading hub for the technology industry, with companies like Apple, Google, Facebook, and Tesla headquartered in the region. It is also a center for finance, biotechnology, and sustainable energy innovation.

3. **San Diego:** San Diego has developed a thriving biotechnology and life sciences cluster, leveraging its strong research institutions and proximity to leading universities. It is also a major center for defense, aerospace, and tourism industries.

These cities have leveraged their unique strengths and cultivated specialized industries, attracting talent and investment from around the world. By fostering a skilled and innovative workforce through immigration and education, California has overcome its lack of natural resource advantages and emerged as a global economic powerhouse, driving the state's per capita GDP growth to surpass the national average.

## **Example : GDP Boost of a high income Settler**

Take a simple case of a single Settler arriving in South Africa say , who is a remote worker. Lets say they earn \$100,000 a year and spend \$60,000 on local goods and services. Then the GDP will rise by:

\$120,000 (Exports)

\$ 12,000 (Visa assumed to be spend on Government Services)

\$60,000 local goods and services (Consumption)

The Greater the difference between the Setter's earning and the local per capita GDP, the great will the positice effect be. Ironically the more we increase inequality the higher the effect on GDP.

It's important to note that while the inflow of foreign income from an immigrant can contribute to GDP growth, the overall impact on a country's economic performance also depends on various other factors, such as the size of the immigrant population, their integration into the labor market, their skills and qualifications, and the overall economic policies and conditions of the host country.

Additionally, GDP alone does not provide a complete picture of a country's economic well-being, as it does not account for income inequality, environmental impacts, or other dimensions of human development. However, in the specific context of measuring economic output, the inflow of foreign income from immigrants can have a positive impact on a country's GDP.

# Real GDP per capita

Real GDP per capita is a measure of the total economic output of a country, adjusted for inflation (real GDP), divided by the total population. It is used to gauge the average standard of living or economic well-being of individuals within a country.

To break it down:

GDP (Gross Domestic Product) is the total value of all final goods and services produced within a country's borders over a specific period, usually a year.

Real GDP adjusts the GDP value to remove the effects of inflation, providing a more accurate measure of the actual output produced rather than just higher prices. This is done by using a base year as a reference point and adjusting for price changes relative to that base year.

To calculate Real GDP per capita, the Real GDP is divided by the total population of the country for that same year.

Real GDP per capita = Real GDP / Total Population

This measure provides a sense of how much output or income is available to the average person in that country. Higher real GDP per capita generally indicates a higher standard of living and greater economic prosperity for the residents.

Some key points about Real GDP per capita:

- 1) It accounts for population size, allowing better comparisons between countries with different population levels.
- 2) By using real GDP, it adjusts for inflation, giving a better picture of true economic growth over time within a country.
- 3) It is a broad measure of average national income/output per person, but does not account for income inequality within a country.
- 4) It does not capture other important factors like quality of life, public services, or environmental impacts.
- 5) It is widely used to compare average living standards and economic development levels across countries.

So in essence, real GDP per capita provides an estimate of the economic output available to the average citizen in a given country, adjusted for both population size and inflation effects, serving as a useful (albeit imperfect) proxy for average national prosperity.

# Human Prosperity Index

While GDP per capita has long been the predominant measure of a country's economic prosperity, it has faced criticism for failing to capture other essential aspects of human well-being and societal progress. In response, alternative measures such as the Human Prosperity Index (HPI) have been proposed to provide a more comprehensive assessment of a nation's overall prosperity.

The Human Prosperity Index is a composite index developed by the Legatum Institute, a think tank based in London. It aims to measure prosperity beyond just economic factors by incorporating elements such as education, health, personal freedom, governance, and environmental quality. The HPI is based on the belief that prosperity is a multidimensional concept that encompasses not only material wealth but also the quality of life and the enabling environment for individuals to thrive.

By considering a broader range of indicators, the Human Prosperity Index offers a more holistic view of a country's progress and the well-being of its citizens. It recognizes that economic growth alone is not a sufficient measure of prosperity and that factors like access to quality education, healthcare, personal freedom, and a clean environment significantly contribute to human flourishing.

Despite the merits of the Human Prosperity Index and similar alternative measures, GDP per capita remains the most widely used and recognized indicator of a country's economic performance and standard of living. There are several reasons why GDP per capita continues to be the primary measure of prosperity:

1. **Standardization and comparability:** GDP per capita is a standardized and widely accepted measure, allowing for consistent comparisons across countries and over time. This comparability is crucial for policymakers, economists, and international organizations to assess relative economic performance and development levels.
2. **Data availability and reliability:** GDP data is regularly and systematically collected by national statistical agencies and international organizations, providing a reliable and consistent source of information. Alternative measures like the HPI may face challenges in data availability, particularly in developing countries with limited resources for data collection.
3. **Economic decision-making:** GDP per capita remains a key indicator for economic decision-making, such as investment choices, trade negotiations, and policy formulation. While alternative measures provide valuable insights, they may not capture the specific economic factors that drive business and policy decisions.
4. **Historical legacy and familiarity:** GDP per capita has a long-standing historical legacy, and policymakers, businesses, and the general public are familiar with its interpretation and significance. Introducing new measures may require extensive education and adjustment periods before they gain widespread acceptance and understanding.

Despite its limitations, GDP per capita remains the widely recognized measure of a country's economic performance and material living standards. Over the forecast period of six years, Per capita Gdp and the HPI behave almost identically. There may be opportunities to tweak, but in a macro model dealing with aggregates, per capita GDP is the best simplification of Prosperity.

# Wealth

While wealth and GDP are related concepts, there are important distinctions between them, and GDP is often seen as a more practical and widely used measure of prosperity due to its ease of measurement and representation.

Wealth refers to the total value of assets owned by individuals, households, or a country, including physical assets like real estate, financial assets like stocks and bonds, and intangible assets like intellectual property. It represents the accumulated stock of resources and possessions that can generate income or provide economic security. Wealth can be highly concentrated and unevenly distributed within a population, and it does not necessarily translate directly into economic activity or production.

On the other hand, GDP (Gross Domestic Product) measures the total value of all final goods and services produced within a country's borders over a specific period, typically a year. It captures the economic activity and output generated by the use of labor, capital, and other resources within the country's economy.

While wealth can translate into economic activity and contribute to GDP, there are several reasons why GDP is often considered a more practical and widely used measure of prosperity:

1. **Measurability:** GDP is relatively straightforward to measure and quantify based on observable economic transactions and production data. In contrast, measuring wealth accurately and comprehensively can be challenging, as it involves valuing a diverse range of assets, some of which may be illiquid or difficult to appraise.
2. **Representation of economic activity:** GDP directly represents the actual economic activity and output generated within an economy, which is a critical component of prosperity and living standards. Wealth, on the other hand, can be accumulated or inherited without necessarily contributing to current economic production.
3. **Standardization and comparability:** GDP is a standardized measure that allows for consistent comparisons across countries, regions, and time periods. This comparability is essential for policymakers, economists, and international organizations to assess relative economic performance and development levels.
4. **Familiarity and acceptance:** GDP and its related metrics, such as GDP per capita, are widely recognized and understood by policymakers, businesses, and the general public. They have a long-standing historical legacy and are deeply ingrained in economic analysis and decision-making processes.

5. Relationship to other economic indicators: GDP is closely linked to other important economic indicators, such as employment, inflation, and trade balances, which provide a more comprehensive understanding of an economy's performance and overall prosperity.

However, it is important to acknowledge that GDP alone does not capture all aspects of human well-being and societal progress. It does not account for factors such as income inequality, environmental degradation, or the quality of life beyond material consumption. As a result, alternative measures like the Human Development Index (HDI) and the Human Prosperity Index (HPI) have been developed to provide a more holistic assessment of prosperity by incorporating non-economic factors like education, health, and personal freedoms.

While wealth is an essential component of prosperity and can contribute to economic activity, GDP remains a more practical and widely accepted measure of revealed economic activity and output. By combining GDP analysis with other indicators that capture broader dimensions of human well-being, policymakers and economists can gain a more comprehensive understanding of a country's overall prosperity and progress.

# Human Capitalism

Thomas Piketty's book "Capital in the Twenty-First Century" is a seminal work that has significantly influenced contemporary discussions on socialism, wealth inequality, capitalism, and the role of capital in modern economies. In the book, Piketty defines capital as follows:

"Capital is defined as the sum total of non-human assets that can be owned and exchanged on some market. Capital includes all forms of real property (including residential real estate) as well as financial and professional capital (plants, infrastructure, machinery, patents, and so on) used by firms and government agencies."

Piketty's definition of capital encompasses a broad range of assets, both tangible and intangible, that can be owned, exchanged, and utilized for productive purposes. This includes physical assets like land, buildings, machinery, and infrastructure, as well as financial assets like stocks, bonds, and intellectual property rights.

Importantly, Piketty does not include "human capital" in his definition. Human capital would include education and work experience.

Central to Piketty's analysis is the idea that the accumulation and concentration of capital over time can lead to increasing wealth inequality, as the rate of return on capital tends to outpace the rate of economic growth. This phenomenon, which Piketty refers to as the "central contradiction of capitalism," can result in a situation where inherited wealth becomes more significant than income derived from labor, perpetuating and exacerbating economic disparities.

Furthermore, Piketty highlights the importance of institutional factors, such as taxation policies, inheritance laws, and the role of government, in shaping the distribution of wealth and income within societies. He takes the socialist case and advocates for progressive taxation on wealth and income as a means to mitigate the concentration of capital and promote greater economic equality.

The Prosperity Plan, specifically in the case of the CEZ, argues that remote workers bring with them a human capital – not all workers are paid equally. In a world where the production function is digital and workers are mobile, we are able to leverage global capital to local advantage. The Settler must import capital – or at least the ability to influence the output of global capital. All the host country has to do is give the Workers a mild tax regime and a great lifestyle.

# Forecasting Unemployment

Ever since the start of macroeconomics unemployment has been a core issue of the General theory.

In the General Theory Keynes shows that Aggregate Demand does not always lead to full employment. Economists lead by Keynes were trying to deal with the high levels of unemployment.

For equilibrium we require that aggregate supply is equal to aggregate demand. However if aggregate supply exceeds aggregate demand employment must come down to bring down supply. (Otherwise warehouses start overflowing and food goes rotting.)

Post Keynes, Aggregate supply has best been described by the de facto standard, the Cobb Douglas Function, a log linear relationship that includes labor, capital and the effect of change in technology. The non linear nature of the Cobb Douglas function and the estimates of the effect of technology are difficult to collate and estimate.

The Cobb Douglas function has a really complex analysis. It may be a more accurate way of depicting events, but it is not going to be easy reading. The return on capital and factors that effect fixed capital formation require the introduction of the capital markets and this ratchets up the complexity of the model. In terms of motivating for the CEZ, it has not been necessary to introduce capital markets. This may not hold for developing of the SEZ where capital factors may dominate.

It gets no easier when you examine alternatives like The Harod Domar Model or Solows Knife edge model. Capital formation and the production mix with labor is a complex business that can tie socialists and capitalists up for hours at the club. It is likely that the Port runs out before the issues are resolved.

Readers who want to build SEZs in their host countries will have to get to grips with these models.

In the case of the libertarian CEZ, with the import of remote workers we are spared this. We are not asking the host country (South Africa) to provide the capital. This is all done in the offshore markets as global companies fight with each other for market share.

For the CEZ the problem of forecasting unemployment can be simplified by fixing employment as a linear relationship to output. If the economy grows  $x$  percent, the demand for labor will grow  $x$  percent. This simple relationship works well when building a model for a high unemployment economy and is more than sufficient for the analysis of the CEZ.

## Okun's Law

The GDP Gap is the difference between the potential GDP of a country at full employment and the actual GDP with unemployment. In the case of South Africa with unemployment in excess of 30% this is a critical relationship.

The Prosperity Plan immediately tackles the unemployment problem, by importing employed workers and getting multipliers from their local expenditure.



Okun's Law is an empirically observed relationship between a country's unemployment rate and its economic growth, as measured by the real gross domestic product (GDP) growth rate. It states that for every 1 percentage point increase in the unemployment rate above its natural rate, a country's GDP will fall by approximately 2-3 percentage points below its potential GDP or trend level.

The rationale behind Okun's Law is that higher unemployment implies underutilization of labor resources, which translates into lower economic output and growth. Conversely, when unemployment is low, it suggests that the economy is operating closer to its potential output level, with more efficient utilization of available labor resources.

Okun's Law highlights the critical importance of achieving and maintaining full employment for economic growth. Here's how:

1. Labor is a key factor of production: Labor is one of the primary inputs in the production process, along with capital and other resources. Underutilization of labor due to high unemployment means that a significant portion of the economy's productive capacity is not being utilized effectively, leading to lower output and growth.
2. Decreased consumer demand: Unemployed individuals have lower incomes and reduced purchasing power, which can dampen overall consumer demand for goods and services. Lower consumer demand, in turn, can discourage businesses from investing and expanding production, further hampering economic growth.
3. Underinvestment in human capital: High unemployment can discourage individuals from investing in education, skills development, and training, as the perceived returns on such investments may be lower. This can lead to a less productive and skilled workforce in the long run, hindering potential economic growth.

4. Erosion of skills and productivity: Prolonged periods of unemployment can lead to a deterioration of skills and work habits, making it more difficult for individuals to regain employment and contribute productively to the economy.

5. Social and economic costs: High unemployment can impose significant social and economic costs on society, including increased poverty, health problems, and social unrest. These costs can strain public resources and undermine long-term economic stability and growth.

To achieve and sustain economic growth, policymakers often aim to maintain a low and stable unemployment rate, ideally close to the natural rate of unemployment (the rate at which the labor market is in equilibrium, with no cyclical unemployment). This can be pursued through a combination of fiscal and monetary policies, labor market reforms, and initiatives to promote job creation and workforce development.

However, it's important to note that Okun's Law is an empirical observation and may not hold true in all circumstances or with the same magnitude across different economies. Additionally, other factors, such as productivity growth, technological advancements, and structural changes in the economy, can also influence the relationship between unemployment and economic growth.

Nevertheless, Okun's Law highlights the importance of promoting full employment and efficient utilization of labor resources as a key driver of economic growth and prosperity.

## The Ricardo-Barro Effective

The Ricardo Barro is effect states that increased government spending financed by debt will not increase private spending!

In summary private spenders clam up when they see debt, because they prepare for the inevitable taxation that must come to repay the borrowing.

This is a Nightmare on Elm Street for the socialists, who so much a want to believe that politicians have the ability to actually do something about employment. Ricardo-Barro the “anti Keynes” and noone wants to examine the argument, because the outcome of Ricardo-Barro is horrific. It emasculates the self image of democrats. We are in the hands of the employers and they have the choice to employ or not.

This is a nasty outcome for politicians where the *raison d'etr* for the huge salaries and the massive budgets is that the politicians have persuaded the voters that they more that the captains of industry can actually do something about unemployment. The politicians cannot do anything about in them sleeves in the private sector, but their abilities will miracualous transform given political power. Whenever you suggest that politicians stand back you are sure to get push back from them and from voters who have believed the promises that employment will be delivered.

The prosperity plan calls exactly for this - a firewall between politics and the economy. The challenge of the special economic zone is that by putting up a firewall between politics and the special economic zone, economic growth will be faster inside the special economic zone and the benefit to host country will be trickle down.

This is effectively what we have in corporations. Shareholder can come to the annual meetings and can vote on appointments of directors, but the actual decision of where the company goes is entrusted to the directors. The directors decide how to make the profit and the dividend policy is the final payout to shareholders.

Socialist politicians demand much more. They demand to control the dividend policy. Sadly politicians and voters have desires other than production. This principle goes to the core explanation of why companies grow faster than economies.

The reluctance of the socialist thinkers to engage this thinking is precisely why we have to drive through this principle. Rationally it should be as simple as proving to the host country that they are better off with this arrangement. Very few politicians have the capability to understand these principles!

This vast void that exists between those that produce (the minority) and those that want to benefit off the production of others (the majority) is why we have to put a firewall between politics and the special economic zones.

A cornerstone of the prosperity plan is a firewall between the host country and the special economic zone. It is this liberation that brings the prosperity.

## **Homemarket effect**

This critical concept (won Paul Krugman the Noble Prize for Economics is core to our proposal)

The home market effect is a concept in international trade theory that highlights the importance of domestic demand in driving economic growth and shaping a country's industrial specialization patterns. It suggests that countries tend to specialize in and export products for which they have a large domestic market, benefiting from economies of scale and reducing transportation costs. The home market effect plays a significant role in economic growth through the following mechanisms:

1. **Economies of scale:** When a country has a large domestic market for a particular good or industry, producers can achieve greater economies of scale by serving that demand. This enables them to lower their average cost of production, making them more competitive both domestically and in export markets. Larger-scale production also allows for greater specialization, innovation, and productivity gains.
2. **Transportation cost savings:** Serving a large domestic market involves lower transportation costs compared to exporting goods over long distances. This cost advantage translates into higher profitability and competitiveness for domestic producers, encouraging them to expand production and potentially export any surplus output.
3. **Forward and backward linkages:** A large domestic market for a particular industry creates demand for upstream industries (suppliers of raw materials, components, etc.) and downstream industries (distributors, retailers, etc.). This stimulates the development of interconnected industries, fostering economic diversification and creating positive spillover effects throughout the economy.
4. **Clustering and agglomeration effects:** The concentration of large domestic markets often leads to the geographic clustering of related industries, which can generate agglomeration economies. These include shared infrastructure, a pooled labor market, knowledge spillovers, and the emergence of specialized support services, further enhancing productivity and competitiveness.
5. **Innovation and technological progress:** Large domestic markets provide firms with greater incentives and resources to invest in research and development (R&D) and technological

innovation. This can lead to product improvements, process efficiencies, and the development of new goods and services, driving economic growth and enhancing export competitiveness.

The home market effect has played a crucial role in the economic growth of many countries. For example, the large domestic market in the United States has been a significant factor in the success of its technology, automotive, and consumer goods industries. Similarly, the sizeable domestic markets in countries like China and India have facilitated the growth of their manufacturing and services sectors.

However, it is important to note that the home market effect is not the sole determinant of a country's economic growth and export patterns. Other factors, such as factor endowments, government policies, trade agreements, and comparative advantages, also play significant roles. Additionally, the home market effect may be more relevant for industries with substantial economies of scale or high transportation costs, while other industries may be less influenced by domestic market size.

By leveraging the home market effect, countries can foster the development of competitive industries, attract foreign investment, and enhance their export potential, ultimately contributing to overall economic growth and development.

## **Example : South Africa has no home market effective**

In a resource dominated economy such as South Africa with exports like platinum, there is little local demand. There are no advantages of scale. The country is a price taker, and when world prices change it is defenseless. Unable to take up supply with local demand, international prices drop and GDP hurts. In the case of iron and steel a drop in international demand turns the iron industry into rust belts.

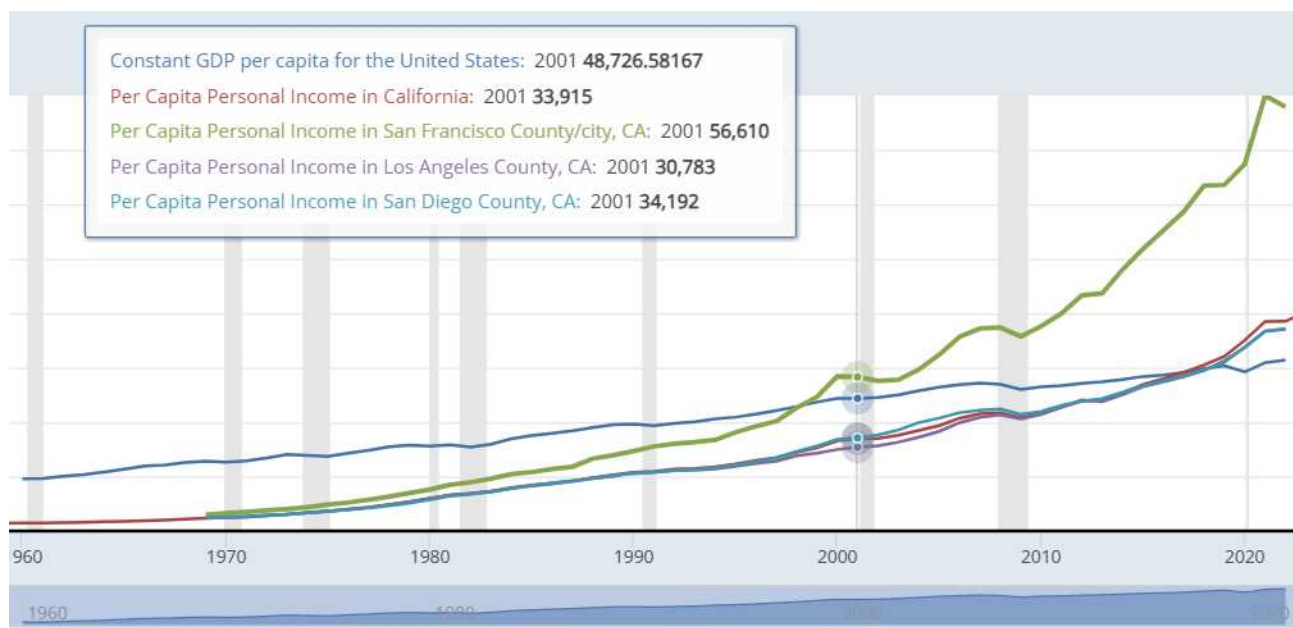
The CEZ built around remote workers takes advantage of the home market for tourists. Cape Town has a February Hotel Occupancy of 68% and an off season occupancy of 25%. The home market effect is right there – use the hotel industry to accommodate workers who want to stay for a more permanent period. Similarly the Cape Property sector also floats on the high sea of increased demand.

The remote workers themselves are on high growth salary packages that rise at three times the rate of GDP (15% vs 5%). Their demand for improved accommodation keeps rising. Property prices rise, investment in property rises and we have the makings of a high growth Special Economic Zone.

## Example : San Francisco

We mentioned earlier how California had grown Per capita DP) by it major cities specialising in Medical, Media and IT. This is starkly apparent when Compared to the USA as a whole. In 2000 SF was not significantly different top the rest of the country, but by 2022 the Per Capita GDP was nearly double. All the tech companies that rose with the Internet Boom, all enjoyed the Home Market Effect. Strong local demand, strong Government purchasing allowed them to expand globally and enjoy rapid expansion of Prosperity.

The home market Effect and specialisation is exactly what we propose for the CEZ.



## Economic Zones have failed in South Africa

The home market effect suggests that industries tend to concentrate production in countries or regions with large domestic markets for their goods. This allows firms to achieve economies of scale, reduce transportation costs, and benefit from agglomeration economies. However, many of South Africa's SEZs have been designed primarily as export-oriented enclaves, without sufficient emphasis on leveraging and nurturing the domestic market.

Several factors have contributed to this oversight:

1. Export-oriented mindset: SEZs in South Africa have traditionally been conceptualized as mechanisms to boost exports and attract foreign direct investment (FDI), rather than as catalysts for developing domestic industries and markets.

2. Limited domestic demand: Some SEZs were established in regions with relatively small local consumer markets, making it challenging for firms to achieve the scale required to be competitive in both domestic and export markets.

3. Inadequate infrastructure and linkages: Insufficient infrastructure connecting SEZs to domestic markets, as well as weak linkages between SEZ firms and local suppliers and ancillary industries, have hindered the development of robust domestic supply chains and value chains.

4. Import dependency: Many SEZ firms have relied heavily on imported inputs and raw materials, failing to stimulate upstream domestic industries and limiting the multiplier effects on the local economy.

5. Lack of domestic market integration: SEZs have often been treated as isolated enclaves, with limited integration into the broader domestic economy, hindering the diffusion of knowledge, technology, and spillover effects.

By overlooking the importance of the home market effect, South African SEZs have struggled to catalyze the development of competitive, self-sustaining industries that can thrive in both domestic and export markets. Without a strong domestic market base, firms in these zones have faced challenges in achieving economies of scale, attracting ancillary industries, and fostering the development of robust supply chains and industrial clusters.

To address this issue, policymakers in South Africa could consider strategies that better leverage the home market effect, such as:

1. Prioritizing SEZs in regions with sizable domestic markets or high growth potential.
2. Improving infrastructure and logistics to better integrate SEZs with domestic markets.
3. Incentivizing domestic sourcing and supplier development programs.
4. Promoting greater linkages between SEZ firms and local industries.
5. Fostering domestic consumption and market development through targeted policies.

By recognizing and harnessing the home market effect, South Africa's SEZs could become more sustainable drivers of industrial development, job creation, and economic growth, benefiting from synergies between domestic and export-oriented activities.

## Why the CEZ will succeed

The CEZ does not require a home market effect from the rest South Africa. Every remote worker we bring into Cape Town increases the home market effect of the CEZ. eE leverage off the Cape Town tourist industry to create an affable environment for remote workers. As they interact with local workers, the local workers become more aware of the benefits of remote work and are soon becoming employed and extending the sector. N

The Cape Town region's thriving tourism industry can potentially contribute to the success of a proposed Coastal Economic Zone (CEZ) by leveraging the home market effect. The home market effect suggests that industries tend to concentrate production in locations with large domestic markets for their goods, allowing firms to benefit from economies of scale, reduced transportation costs, and agglomeration economies. In the case of the proposed CEZ in Cape Town, the strong tourism market can serve as a significant domestic demand base, providing several advantages:

1. **Large domestic market:** Cape Town attracts millions of domestic and international tourists annually, creating a substantial local market for various goods and services related to hospitality, leisure, and tourism. This sizeable domestic demand can enable firms within the CEZ to achieve economies of scale by serving the local market, reducing their average costs and enhancing competitiveness.
2. **Reduced transportation costs:** By locating production facilities within the CEZ near the Cape Town tourism hub, firms can minimize transportation costs associated with supplying goods and services to the local market. This cost advantage can translate into higher profitability and competitiveness, potentially facilitating export opportunities as well.
3. **Clustering and agglomeration economies:** The concentration of tourism-related industries and ancillary services within the CEZ can foster the development of specialized clusters. These clusters can generate agglomeration economies, such as a pooled labor market, knowledge spillovers, and the emergence of specialized support services, further enhancing productivity and innovation.
4. **Forward and backward linkages:** The demand from the tourism industry can stimulate the growth of upstream industries (suppliers of raw materials, components, etc.) and downstream industries (distributors, retailers, etc.) within the CEZ. These interconnected industries can create positive spillover effects, fostering economic diversification and resilience.
5. **Innovation and product development:** The proximity to a large and discerning tourism market can incentivize firms within the CEZ to invest in research and development (R&D), product innovation, and service improvements to cater to the evolving preferences and demands of tourists. This can drive economic growth and enhance the region's overall competitiveness.

However, it's important to note that leveraging the home market effect alone may not be sufficient for the CEZ's success. Other factors, such as strategic infrastructure development, supportive policies and incentives, a skilled labor force, and effective governance, will also play crucial roles in attracting investment, fostering linkages, and ensuring the sustainability of the CEZ.

By capitalizing on the home market effect and the strong tourism demand in Cape Town, the proposed CEZ can potentially nurture competitive industries, attract ancillary services, and foster the development of robust supply chains and industrial clusters. This, in turn, can contribute to economic growth, job creation, and the diversification of the region's economy, while also enhancing its attractiveness as a tourism destination.

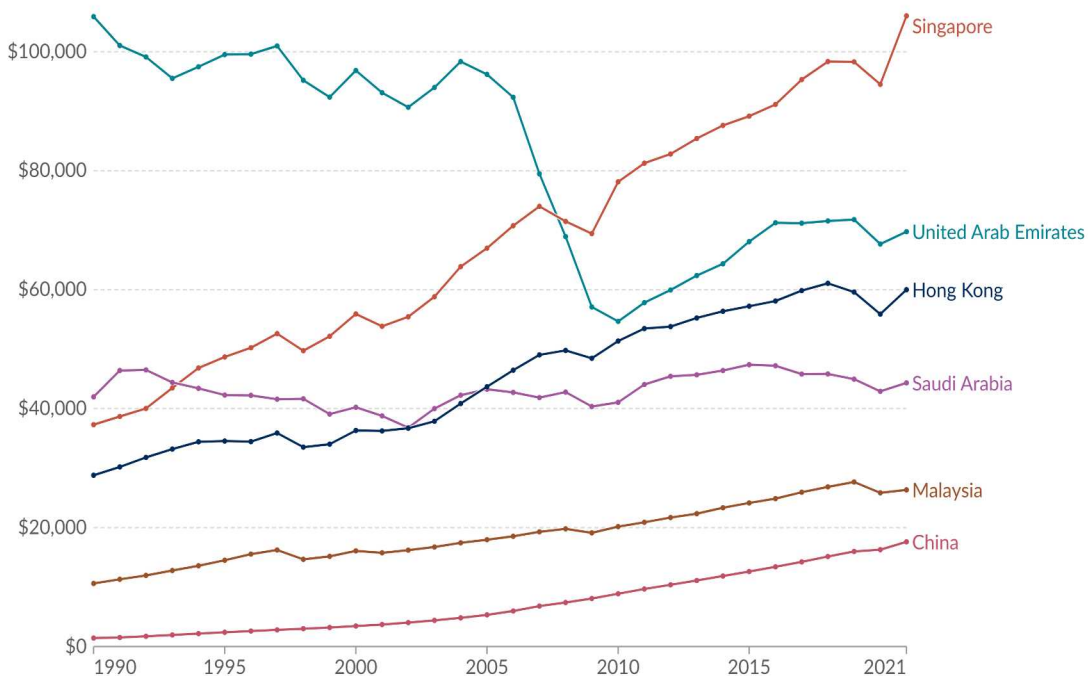
### Example : Hong Kong, Singapore, UAE

We can be confident of the success of the CEZ, because we can look at similar circumstances of city states around the world. Hong Kong, Singapore and United Arab Emirates share in common that they are neighbors to larger, land intensive, resource rich countries. What makes these city states so remarkable is that they outperform their neighbours by a really high margin.

#### GDP per capita



This data is adjusted for inflation and for differences in the cost of living between countries.



Data source: World Bank (2023)

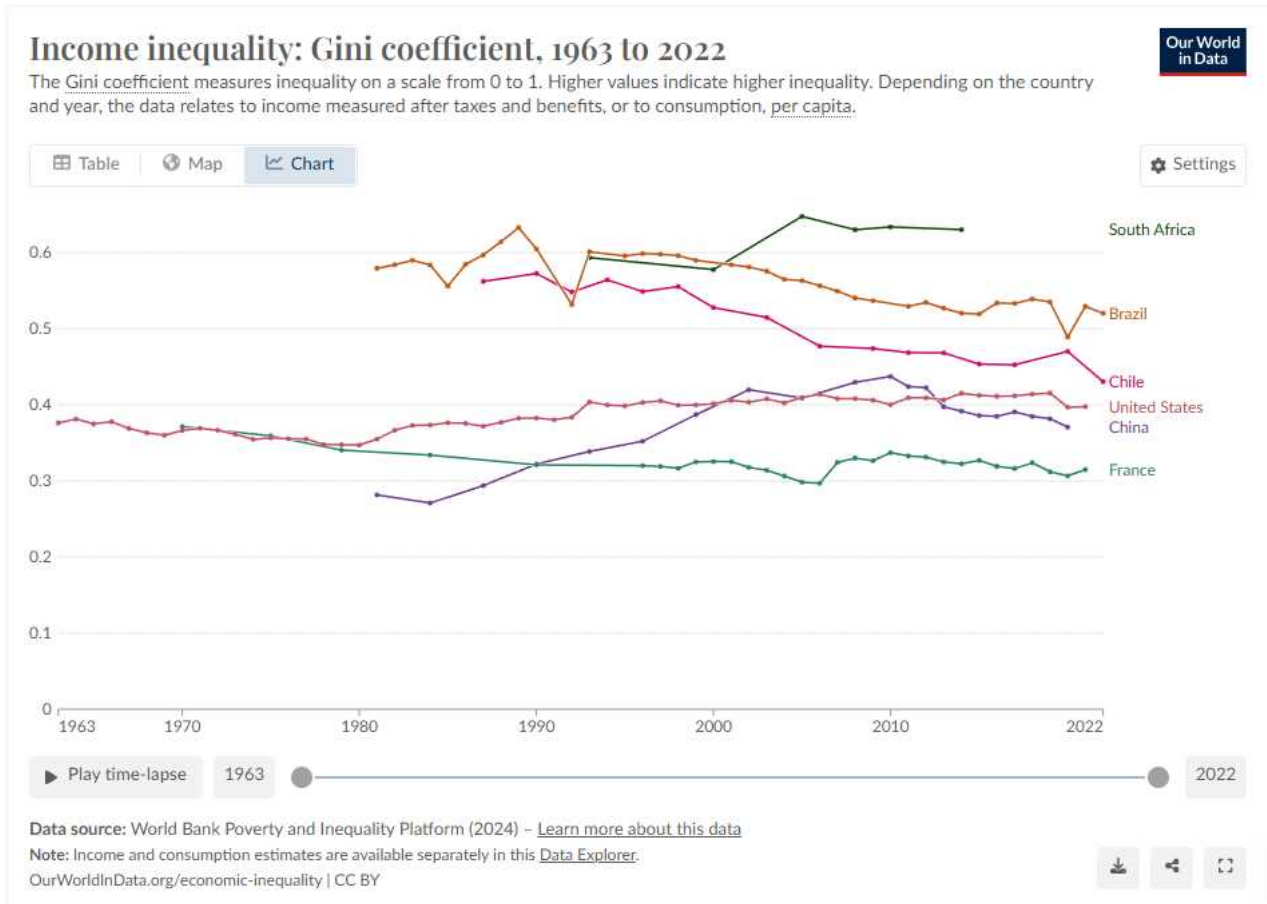
OurWorldInData.org/economic-growth | CC BY

Note: This data is expressed in international-\$<sup>1</sup> at 2017 prices.

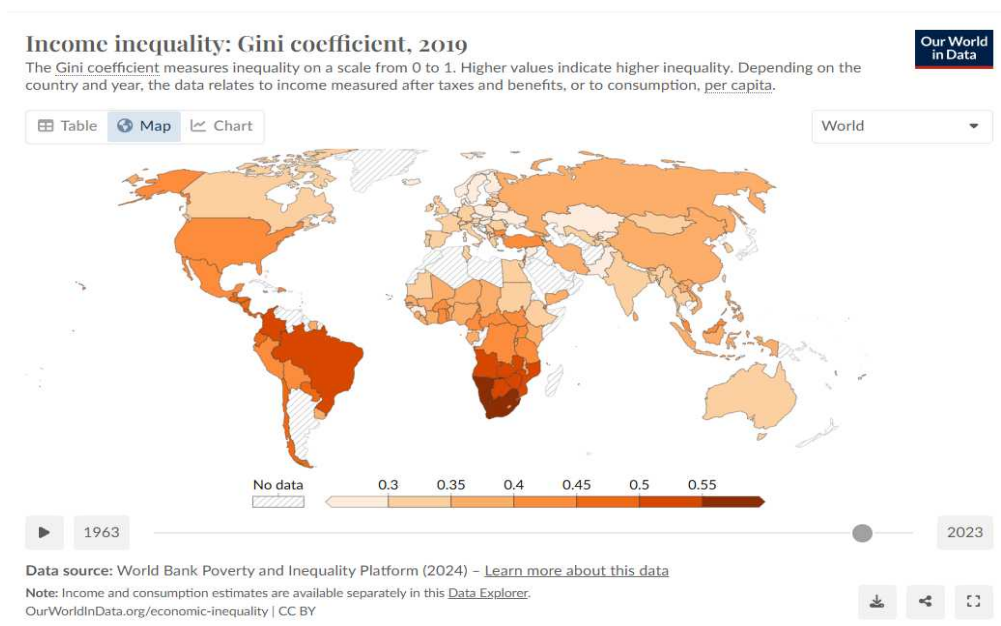
1. International dollars: International dollars are a hypothetical currency that is used to make meaningful comparisons of monetary indicators of living standards. Figures expressed in international dollars are adjusted for inflation within countries over time, and for differences in the cost of living between countries. The goal of such adjustments is to provide a unit whose purchasing power is held fixed over time and across countries, such that one international dollar can buy the same quantity and quality of goods and services no matter where or when it is spent. Read more in our article: What are Purchasing Power Parity adjustments and why do we need them?

# Inequality

Calculation of Gini is a complex sample either by sampling random differences or calculating the Lorenz curve. The good news for analysis of the Prosperity Plan is that Gini is a reasonably stable variable



For example the in the South African Case Gini move from 0.59 to 0.63 from the end of apartheid to today. In the case of our case study of South Africa they have highest gini in the world-class



The Prosperity Plan acknowledges the short term impact on inequality. By definition we are going to import rich Settlers and this must make things more unequal. But the beauty of the Prosperity Plan is that the multipliers make even the poor richer. It is counter-intuitive, but realistic. We bring in Workers who pay tax at a lower rate because they live in the CEZ, but because they have incomes and they introduce a completely new stream of Exports, the actual tax collected is greater!

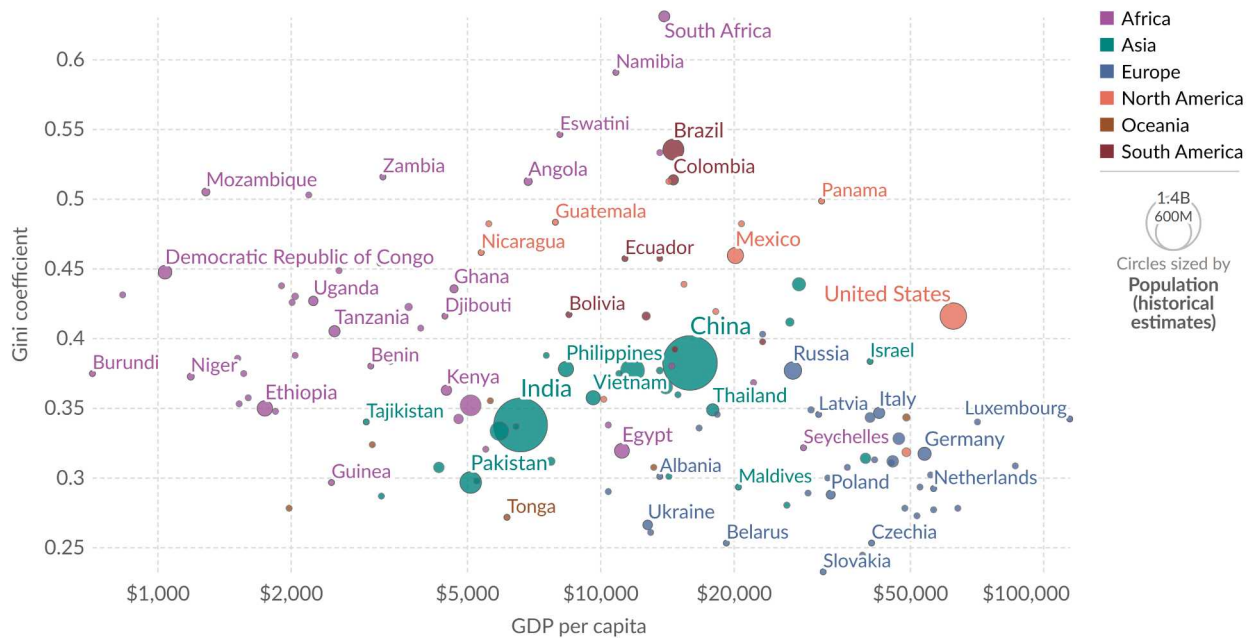
Now assume that the tax gets distributed, at least at the current distribution, then even the poor get richer!

Inequality may have short term increases, but the trend over countries is a decrease of inequality with a rise in Prosperity and country move out of the development phase.

## Income inequality vs. GDP per capita, 2019

Our World in Data

The Gini coefficient<sup>1</sup> measures inequality on a scale from 0 to 1. Higher values indicate higher inequality. GDP is adjusted for inflation and for differences in the cost of living between countries.



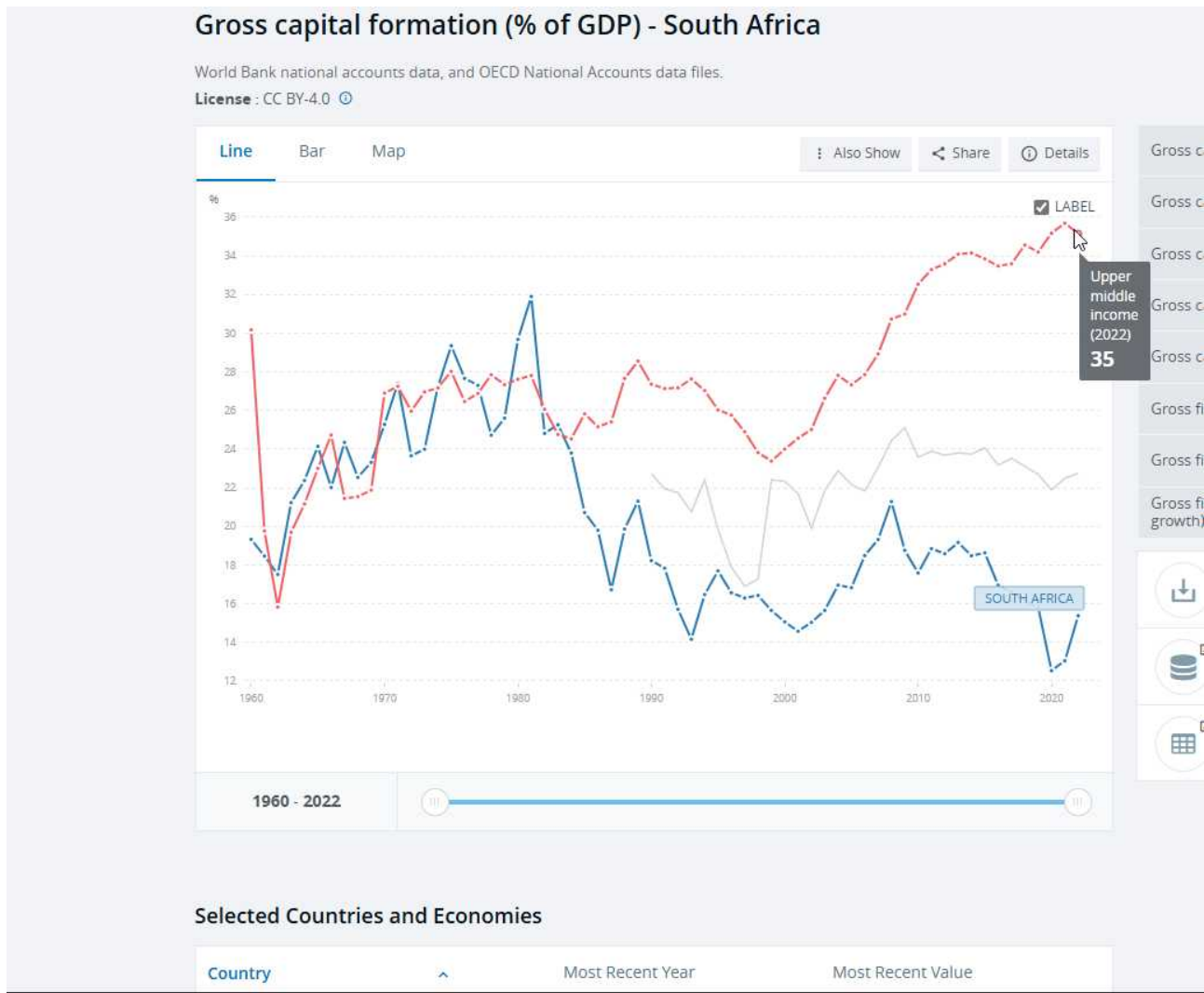
**Data source:** World Bank Poverty and Inequality Platform (2024); World Bank (2023) | OurWorldInData.org/economic-inequality | CC BY  
**Note:** GDP data is expressed in international-\$<sup>2</sup> at 2017 prices. Depending on the country and year, inequality data relates to income measured after taxes and benefits, or to consumption, per capita<sup>3</sup>.

- Gini coefficient:** The Gini coefficient is the most commonly used measure of inequality. It is typically used as a measure of income inequality, but it can be used to measure the inequality of any distribution – such as the distribution of wealth, or even life expectancy. It measures inequality on a scale from 0 to 1, where higher values indicate higher inequality. This can sometimes be shown as a percentage from 0 to 100%, this is then called the 'Gini Index'. A value of 0 indicates perfect equality – where everyone has the same income. A value of 1 indicates perfect inequality – where one person receives all the income, and everyone else receives nothing. Read more in our article: [Measuring inequality: What is the Gini coefficient?](#)
- International dollars:** International dollars are a hypothetical currency that is used to make meaningful comparisons of monetary indicators of living standards. Figures expressed in international dollars are adjusted for inflation within countries over time, and for differences in the cost of living between countries. The goal of such adjustments is to provide a unit whose purchasing power is held fixed over time and across countries, such that one international dollar can buy the same quantity and quality of goods and services no matter where or when it is spent. Read more in our article: [What are Purchasing Power Parity adjustments and why do we need them?](#)
- Per capita:** 'Per capita' here means that each person (including children) is attributed an equal share of the total income received by all members of their household.

# Investment

Post Keynesian analysis puts Investment as a function of Income growth and interest rates. This area needs to be developed for whatever host country you are tackling and the nature of the SEZ. If you had that can opener watch out this one is full of worms. Predicting investment and the sentiments that cause it is one of the most difficult areas of econometrics.

For the South African example and the CEZ we take the easy way out, ignore interest rates and assume that investment is a linear function of  $\Delta Y$ .



The above graph shows the futility of interest rate policy on the South African situation. South African Gross Capital Formation (almost half that of Upper mid income countries)

The CEZ does not require this investment analysis. The Remote worker and their employees are doing these calculations. We can simplify our investment to be a function the number of Workers we attract.

# Taxes

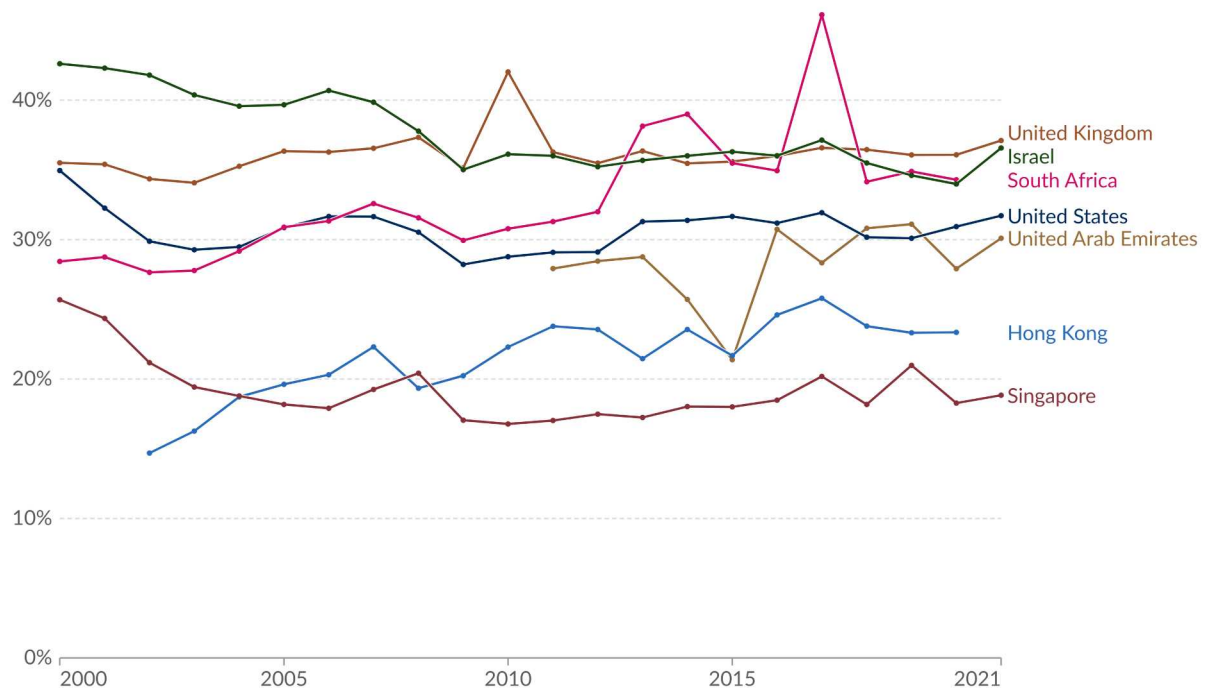
The whole principle behind the libertarian approach is lower taxes. This goes hand in hand with lower government expenditure because libertarians like to pay for their own services like health care and education.

When setting up the CEZ it is helpful to check the tax rates against other tax regimes. When one does that once again, Singapore, Hong Kong and the UAE shine through for libertarians and we must make sure that the CEZ has a tax rate comparable to these regimes.

## Government revenues as a share of GDP, 2000 to 2021

Our World in Data

Taxes, social contributions, and other revenues such as fines, fees, rent, and income from property or sales included.



Data source: International Monetary Fund (IMF)

OurWorldInData.org/government-spending | CC BY

This data can also be used to calculate the effect fiscal revenue for the host country. Even though the incoming Workers are charged a low rate of tax, because they are such high earners taxes go up substantially

From our model the CEZ is a fiscal success and keeps rising. The biggest danger to the whole affair is a hot head in the host countries treasury. The socialist bureaucrats mentality is if you see it tax it. This is the farmer killing the golden goose to get more eggs for that week!

# The Model

## Theoretical Model

### Linear Model

The model is intentionally constructed as a linear model. We forego the advantages of non linear fitting in exchange for the ability to represent the Model as a spreadsheet and thereby bring it more into the world of accountants and less to econometricians. Much of the data like Population growth and GDP is sampled data subject to stochastic error. Most of the indexes and deflators are linear operators.

Fortunately the disparity between libertarian and post keyensian success rates is so large that econometric calculations can still be rounded off and the benefits easily identified.

Lag effects are ignored and all linear relationships take place without lag. The brevity is worth the inaccuracy.

Readers should bear in mind that it would be beyond the scope this document to build a complete macro economic model of every economy. We are building a model to COMPARE two system, namely the host country with and with the addition of a SEZ.

From this general framework we add on variables that are specific to the problem of the CEZ and South Africa. Readers that are interested in building models for other countries or other SEZs will have to build the data up themselves.

In the CEZ we make assumptions, for example we assume no emigration of population and do not model emigration, because it effect both out comes equally. We are more interested in comparing the Prosperity benefits of both decisions – DECLARE A SEZ OR NOT?

### Population

N Total population

$$N = N_w + N_d + N_e + N_i$$

where

$N_w$  working age

$N_d$  dependent age

$N_e$  emigrants

$N_i$  immigrants

then

$$N = N_w + N_d$$

$$N_w = N_w(-1) + N_i + N_e$$

make the following assumptions:

$$N_e = 0$$

define :

$N_w/N$  as the Social Dividend

## **GDP**

$$GDP = Y = C + S + G + (X - I)$$

where

Y = income

C consumption

I is investment

$$C = a Y$$

$$I = bY + i \Delta Y$$

$$I = S = Y - C$$

$$T = cY$$

$$G = T \pm \Delta D$$

where

T is taxation

D is national debt

$\Delta$  is the change of D

## **Inflation**

GDP<sub>d</sub> is the GDP deflator

$$GDP_r = GDP * GDP_d$$

Real GDP = Nominal GDP multiplied by the GDP deflator

GDP<sub>d</sub>  $\neq$  Consumer Price Index

GDP<sub>d</sub>  $\approx$  Consumer Price Index

## **Per Capita GDP**

$$\text{Per Capita GDP} = Y/N$$

$$\text{Per Capita Real GDP}_r = \text{Per Capita GDP} * GDP_d$$

Per Capita Real GDP<sub>t</sub> = pcGDP<sub>t</sub>

Change of pcGDP<sub>t</sub> = (pcGDP<sub>t</sub> – pcGDP<sub>t-1</sub>) / pcGDP<sub>t-1</sub> = Our measure of Prosperity

## **Unemployment**

$$N_w = E + U$$

where

E is employed workers

U is unemployed workers

assume

labor's factor in production is constant

$$E = eY$$

then

$$U = N_w - E$$

$$N_w = N_w(-1) \text{ plus } \Delta N$$

## **Inequality**

Calculation of Gini is a complex sample either by sampling random differences or calculating the Lorenz. For purposes of forecasting with the emphasis on comparing policy we simplify:

GINI is the current GINI value

$$GINI = GINI(-1) * \Delta pcGDP_t / \Delta U$$

## **Capital Output Ratio**

One of the most influential modern socialists, Thomas Piketti comes up with two laws of Capital

$$ALPHA = r \text{ BETA}$$

$$BETA = s/g$$

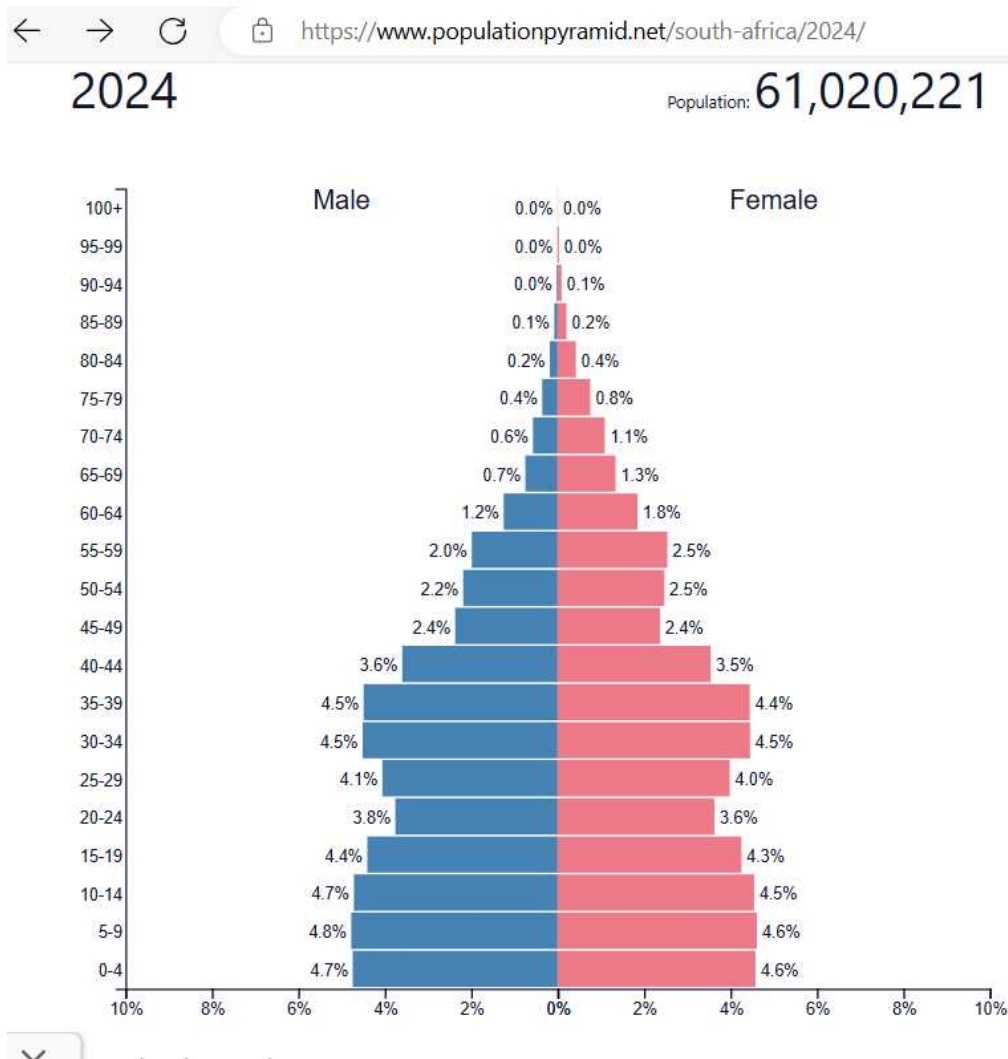
# South African Model

Here are some general insights based on historical trends and publicly available information:

## Population Forecast:

- South Africa's population was around 59.6 million in 2020 (World Bank data).
- The population growth rate has been around 1.3% per year in recent years.
- Assuming this growth rate continues, South Africa's population could reach approximately 63-64 million by 2027.

Simplest way to forecast Population of workers is to use the Population Pyramid. Just by eyeballing the pyramid, you can see that new workers in the 20 to 24 year group vastly out number older workers in the 65 to 68 year group. Expect around 700,000 new job seekers to enter the market every year.



### **GDP Per Capita Forecast:**

- South Africa's GDP per capita (current US\$) was around \$6,010 in 2020 (World Bank data).
- GDP per capita growth has been relatively stagnant in recent years, averaging around 0.5% annually.
- For GDP per capita to increase significantly, robust economic growth combined with slower population growth would be required.

### **GDP Forecast:**

- South Africa's GDP was around \$335 billion in 2020 (World Bank data).
- GDP growth has been sluggish, averaging around 1% per year over the past decade.
- Achieving higher GDP growth would depend on factors like increased investment, productivity improvements, export growth, and structural reforms.

### **Economic Growth Forecast:**

- South Africa's economic growth rate was -6.4% in 2020 due to the COVID-19 pandemic (World Bank data).
- Pre-pandemic growth rates hovered around 0.5-1% annually.
- The International Monetary Fund (IMF) projects South Africa's GDP growth to be around 1.9% in 2022 and 1.4% in 2023.
- Sustained economic growth beyond 2023 would likely require significant policy reforms and structural changes to boost productivity, competitiveness, and investor confidence.

It's important to note that these are rough estimates based on historical trends and should not be considered precise forecasts. Accurate forecasting requires access to detailed data sources, econometric models, and up-to-date assumptions about various economic and demographic factors.

For reliable 5-year forecasts, it would be best to consult the latest projections and analyses from authoritative sources like the South African Reserve Bank, National Treasury, Statistics South Africa, or reputable international organizations like the IMF and World Bank, which have dedicated teams of economists and access to comprehensive data sets

## **CEZ Consolidated model**

With the assumption of an additional one million incoming Workers over the next five years (200,000 per year), and that every incoming settler generates four jobs at the current average GDP level, here are the revised estimates for population, GDP per capita, GDP, and unemployment in South Africa:

### **Population Forecast:**

- Base population in 2022: Around 60 million
- Additional population from incoming Workers by 2027: 1 million
- Revised 2027 population: Approximately 64-65 million

### **GDP Per Capita Forecast:**

- Assuming the incoming Workers generate economic activity at the current average GDP level and the overall GDP increases proportionately, the GDP per capita should remain relatively stable or experience a slight increase.
- The revised GDP per capita in 2027 could be in the range of \$6,200 - \$6,400 (in current US\$), slightly higher than the previous estimate without the incoming Workers.

### **GDP Forecast:**

- With the assumption that every incoming settler generates four jobs at the current average GDP level, the additional economic activity would contribute to GDP growth.
- If we assume the current GDP per capita of around \$6,010 (2020 level), the addition of 1 million Workers, each generating four jobs, would translate to an increase in GDP of approximately \$24 billion (1 million x 4 x \$6,010).
- Incorporating this increase, South Africa's GDP in 2027 could potentially reach around \$360 billion, higher than the previous estimate without the incoming Workers.

### **Unemployment Forecast:**

- The assumption that every incoming settler generates four jobs suggests that the influx of Workers could help alleviate unemployment in South Africa.
- However, the impact on unemployment would depend on the skills and qualifications of the incoming Workers, their integration into the labor market, and the ability of the economy to absorb the additional workforce.
- If the incoming Workers can be effectively employed, and their economic activity generates additional job opportunities, the unemployment rate could potentially decrease from its current levels.

- Assuming successful integration and job creation, the unemployment rate in 2027 could potentially be lower than previous estimates, but the exact magnitude would depend on various economic factors and policies.

It's important to note that these revised estimates are based on the specific assumption of incoming Workers generating economic activity at the current average GDP level and creating four jobs per settler. In reality, the actual impact would depend on numerous factors, including the skills and qualifications of the incoming Workers, their successful integration into the labor market, the ability of the economy to absorb the additional workforce, and the implementation of supportive policies and initiatives.

Additionally, these estimates do not account for potential changes in productivity, technological advancements, or structural shifts in the economy, which could also influence GDP growth, employment, and overall economic performance.

Reliable and accurate forecasts would require detailed economic modeling and access to comprehensive data sources, considering various demographic, economic, and policy variables. These revised estimates should be treated as rough approximations based on the provided assumptions.

# Elements of the Cape Economic Zone

## Cheap Electricity

We propose emphasising our abundant sunshine as an asset.

## Server Farms

As AI expands over the next few years the demand for computing [power will also expand. With free and near free electricity, server farms become available to us as an infrastructural investment

## Fast Internet

As we specialise in remote work, we can choose digital infrastructure over physical infrastructure.

## Land Ownership

We suggest solving the land issue by offering public land in the broad country and private ownership to investors inside the economic zones.

## Subsidised Travel

To make ourselves competitive with northern destinations we propose subsidising emigrant air travel

## Tax policy

In the economic zone we have a high minimum wage and flat tax.

In all inclusive high VAT rate – low income tax rate

Zone managed police, tax courts

A workers get a visa at \$12,000 per year

## The Workers Guide

This particular instantiation of the Prosperity Plan (CEZ hosted in South Africa) only works if the workers come to the CEZ. We will not only need to create a prosperous environment we will need to need to convince the workers that they have better options than their present locations. The proposition must be simple enough to be endorsed by a tax or immigration consultant.

We offer them:

A world class environment with wide open space in close proximity. The Cape has some of the best outdoor activities mountains, sea and flat areas. World leaders in gym clubs, cycling, golf, sea sports, jazz clubs. Excellent access to high quality food

Low rentals, low property prices. The ideal savings and investment scenarios for the young rich.

# Objections

There are going to be objections to the CEZ. The four riders of the mixed economy apocalypse will be out in force. Let's take them on now.

## We're doing fine

Not right now. We have just elected a new government. Give us time to settle and see if our new election promises work. This objection is going to come from the **politicians** and the **capitalists**.

In a country with the highest inequality in the world, someone has to be on top. In South Africa that is the politicians and the capitalists. The success for their immediate future lies in keeping things as they are. This is like ordering drinks on the Titanic. The drinks may or may not arrive, but the next wave of jobseekers will. For each one that the current system turns from a potential earner into an unemployed dependent, the boat tilts a little more, and the debt keeps rising.

The red lights should be flashing when you see a giant mining merger taking place between Billiton and Anglo, and one of the parties is demanding that a precondition is that the South Africa assets are bulletproof. That is what the world thinks of our major industry.

We are not doing fine. It is an urgent matter that we take action. The CEZ yields instant results, does not require constitutional changes, miraculous changes of sentiments or for the world to suddenly decide that South Africa is an investment destination.

## Not made here

"African societies are like a badly managed football team in which as a result of personal rivalries, and a lack of team spirit, one player will not pass the ball to another out of fear that the latter might score a goal", Daniel Etounga-Manguelle

We lose our culture is an argument likely to come from a nationalist. They will approach problems differently, but this objection means they have not accepted the change of per capita GDP is the measure of prosperity. There are thousands of non-quantifiable objections of this nature, all are simply a response to the fear of a global world that the nationalist cannot control.

Barrack Obama said it. "Like it or not, we live in an interconnected world." Those remote workers are out there. We can buy the products they are making or we can get them working for us. The choice is ours

## You are taking the horses

You are taking the horses and leaving us with the shit. This is a deep-rooted **socialist** fear in the African mind brought on by five hundred years of colonial history. It is steeped in our recent history where exploiters make money from mining and there is no multiplier benefits to the wider society. To these thinkers collective ownership is the only security. The idea of a bunch of libertarians doing their own thing conjures up demons.

The reality of the CEZ is that it takes none of the host's assets. It needs minimal land, minimal capital and it creates tax value, not takes tax value. Sure we can't control what happens in the libertarian minds, but we control them even less when they are working in Dubai or Singapore.

## **The CEZ is anti poor**

This is a common bleat of the **socialist**. It seems that unless they are managing the distribution of income and they are managing it right now under their tenure, every activity is anti poor.

The CEZ is not anti poor. Even if the CEZ produced no benefit for anyone other than the incoming Workers, it would still not be anti poor. If you have a policy that helps the rich, that does not mean it is anti poor. The objectors are welcome to launch any policy they like, they are just not welcome to use the resources of the CEZ to do it.

Nevertheless the predicted scenarios are much better than that. Through the generation of increased tax and increased employment, the CEZ is in fact pro poor, it just has a small time lag, which is hard to follow in the socialist framework, which is always about immediate consumption.

## **You are stealing the means of production**

This is classic **marxist** thinking. It comes from years of disappointment that the capitalists have not imploded and all that has to happen to force a revolution is to get ownership of the means of production.

Well that is exactly what the CEZ is offering. Currently there are hundreds of millions of northern workers working from home, carrying out production. The CEZ offers the opportunity to bring them to South Africa to work for us.

There is no stealing of the means of production, we never had it in the first place. Keep your hands off the workers, offer them a golden future and the means of production will steadily become ours.

## **What is Slavery**

What does a modern day slave look like?

Slavery is the **ownership** of a person as **property**, especially in regards to their labour. In other words, a slave produces output but is not entitled to the income derived from the sale of that output. There is a system of Socialist Government in place that will use tax to derive the slave of their output.

Historically South Africa has been a slave importing destination and this trade has served us profitably. Sometimes this was presented as indentured labor or Settler programs, but the principle is always the same. The slaves are stripped of income by taxation.

Right now there are hundreds of millions of remote workers working as slaves all over the world. If South Africa were to offer them a way to buy their freedom, we would once again be profiting from their means of production.

## **What is socialism?**

Socialism is a system of government for mixed economies that operates in a symbiotic relationship between capitalism and communism. Unguarded capitalism will tend to monopoly. Unguarded socialism will tend to fascism. Communism is unstable as it is based on questionable assumptions of the desire of the individual to support the collective.

Socialism can be totalitarian or democratic, the effect on the productive individual is indistinguishable. The productive are either deprived of retaining their output by minority force or the tyranny of the majority.

Essentially what is proposed under socialism is that the individuals subordinate themselves to the rule of the state and relinquish their freedom. Individuals lose the right to retain the income that they produce and this is taxed for the purpose of supplementing and maintaining the owners of the means of production, the class of government rulers, and those whose output is below the mean of per capita GDP.

Under a system of socialism the productive individuals are Constitutionally bonded in slavery.

## **The Status Quo won't work**

South Africa has formed a new GNU, there is a bunch of new politicians in Trade and Industry, the Rand has strengthened and there is an upbeat feeling in the air. We are still believing the DA election promises of creating mountains of new jobs.

Lets cut the crap - and understand why this is a just a whole lot of hot air and any policy that continues the status quo will likely end in broken promises and tears.

According to the Stats SA labor force survey these are the numbers:

The SA labor force is 24 Million, of which 60% are employed and 40% are unemployed. Our labor force is growing by around 5% a year. Roughly speaking, if we are going to sort out our

unemployment in the next five years then the economy will need to grow 40%. or more or less 10 percent a year. Currently Treasury optimistically estimates we will grow at 2%

Under any realistic forecast that extends the status quo we are likely to see increased poverty, increased unemployment and rampant inequality. Any politician that tells you otherwise is either a clown or a liar.

While the new GNU are all out in the empty shopping malls spending their new found salaries, the best they can do is think peripherally about increasing mining or manufacturing activity. This is a delusional dead-end. These sectors simply don't employ people and the capital required has long been spend on expensive suits and blue light brigades for the Zuma and Rhamaphosa administrations. If we don't change our thinking, being up a creek in shit street is going to look like a Valentines day cruise up a canal in Venice.

So what do we do?

I want you to go take a shower, change into something more comfortable, pour yourself a dram of whatever poison helps your lateral thinking and consider the Prosperity Plan.

## **What are South Africans good at?**

We are young, intelligent and we are good at service. By service I mean anything from lap dancing to waiting tables, to producing music and movies, to implementing complex computer systems. What we lack is the customers to serve.

What the prosperity plan proposes is that we import these customers! Remote workers now make up hundreds of millions of the worlds labor force and are one of the fastest growing industries. I suggest bringing them to South Africa, each one that comes will create around four local jobs, so to cure our unemployment we need to import – wait for it - 500,000 a year for the next five years!

## **You are not digging any toilets**

The **socialist** agenda, particularly the **politicians** that need get elected are always interested in talking loudly about policy that will give immediate benefit to the poor. Sure we are no buildign toilets, but we are certainly not stopping the socialists from building toilets.

Right now our remote workers are working on countries that all have some angle to to move the cash from the libertarians pocket into their own pocket. All we are asking is that the socialists leave the libertarians alone. We are noit inviting the to Settle into the CEZ to build toilets. We are asking them to settle into the CEZ to do their own thing and thrive at it and pay us a very low rate of tax that we would not have got while they were in the north.

## **They will steal our Land**

South Africa has a colonial history of dispossession. Anchored in the past, they live superficial lives with low savings rates and spend very little energy planing the future. In the examples that come through this document it is clear that high growth economies are not land intensive. The CEZ does not require vast amoutns of land, bit to get the Workers to open their wallets and really invest here, land tenure is vital.

There is no shortage of Land in SA and the CEZ is not based on acquisition of high quality land or mineral rights. The Workers require a roof and a place to plug in their computer.

## **Who's side are you on?**

**Nationalists** believe we need to look after our own first. Yes that is what the CEZ is doing. Creating a new stream of GDP and tax that benefits us all.

That said, Global business is a competitive business. We are in competition with other countries to attract these remote workers, and as we build our population of high earners we build a platform to take advantage of the home market effect.

We have to have the attitude that we are on the same side as the Workers. Will they interact and trade with the locals – sure they will. That is what will trigger the employment. We are all on the same side and the CEZ is on our side!

## **We should be building our own industries**

This is usually the **capitalists** talking, and what they mean is we should be investing in them to grow their industries.

We are building our own industries. Currently the Cape is one of the most successful tourist destinations in Africa. We are very happy to have tourists. What the CEZ is doing is encouraging the tourists to linger a while and fill our facilities in the off season. Hopefully they like it so much they will buy property and invest their savings in making the CEZ even better.

## **Why don't we just look after the poor?**

If only this were possible. However when you have a situation where the labor force is growing faster than the economy, real per Capita GDP goes down with disastrous consequences.

Take the following two policies. We build homes for the poor or we build homes for the incoming workers. The obvious strategy is build homes for the poor. The problem is that after they are built we would have taxed or borrowed the capital, crowding out GDP and we would have poor, non productive people in houses and we would be looking for more capital to spend.

If we build houses for workers, the workers pay back that capital and the builders go out and buy themselves low cost housing. The effort is sustainable.

Over time the effect of increased GDP has a positive effect on the poor. Unsustainable objectives, turn into stalled projects, turn into promises, turn into dreams.

# Best Practice Socialism.

## We are all socialists.

Are there any amongst us that have no empathy for hungry children, brought into this world by parents who believe they have a right to demand that the State serve their children with food security, education and adequate housing? Are we not sympathetic to the unemployed who find themselves locked out unable to find anyone who is able to profitably employ them or unwilling to take on the burden of supplementing their income needs! Are any of these scenarios worse than indigent aged, who believed all their lives that all they had to do was follow the law, save diligently and would be provided for, but find themselves disabled and destitute. These sufferers are all victims of a system that has no mercy.

Socialism is a system doomed to under perform. It is hard not to write scathingly of the officers and Captains who, faced with this reality chart a course that places themselves in an advantageous position, and continue to promote the theoretical idea that “this is the best for the collective”. Can there be anything worse than the democrats who put these officers in charge or anything more cowardly than the revolutionaries that refuse to confront the Captains.

This course of discussion bears little fruit. We are faced with a reality that the collective majority is always willing to sacrifice the prosperity of the future to satisfy the needs of today. Readers that wish to understand how intractable this is should read *Coriolanus* by William Shakespeare, who identified these forces four hundred years ago - the play opens with the hungry masses, faced with an invasion wanting to sack the food warehouses rather than fight the invaders...

# The Socialist Case of South Africa

The South African case is particularly poignant. All the macro economic variables are forecasting a bleak future, but the democratic system is determined to fight over the scraps and a political class has established itself as the custodians of this demise. Their tenure is premised on the reality that while they are able to rule over the ashes, they are able to extract personal largess, while the majority is socially defenceless.

Squatting like toads over this morass are capitalist entities. Representing shareholders that have a singular goal of return on capital. They will only entertain futures where their return is guaranteed.

And yet out of this fog emerges an opportunity that may not solve the needs, but will significantly contribute to prosperity. The opportunity is to bring in a targeted group of rich, young Settlers, who would be willing to come, if they are offered a better deal than their socialist masters back home offer them! These are contributors, unappreciated by their home countries that can relocate their income and given the right terms, could even invest their future wealth in the South African Outcome.

All that is required is the understanding of the opportunity. The hosting of the Workers and the collective ability to resist the compelling idea of fleecing them of their wealth.

The scope of this document is to promote SEZs theoretically and empirically to solve the South African Growth problem particular using the CEZ. The Prosperity Plan is not how best to run a mixed economy socialism, but it is helpful if we have well run hosts, or the growth disparity runs away and you end up wrestling with inequality.

The challenge for the prosperity plan is to prove to the socialist leaders that by "Letting go" of economic zone, growth will ensue and fiscal revenues for the socialist state will increase. Achieving this is no mean feat and the complexity cannot be underestimated.

There are leaders that would rather preside of the ashes than let go of control. The prosperity plan must clearly show them the high road.

## **Best Practice**

Noting the reality of the Socialist system, the economic zone is always under threat by its Socialist host, who is always tempted to kill the golden goose to get more eggs. The Prosperity plan will need the host to behave rationally. Best practice socialism would include the following factors:

### **Recognise Globalism and Technology**

In today's increasingly interconnected world, embracing globalism and technology is essential for any successful economic model, including socialism. Globalization has facilitated the free flow of goods, services, capital, and ideas across borders, presenting both challenges and opportunities for nations. Rather than resisting these forces, a best-practice socialist approach should recognize their inevitability and harness their potential for the benefit of society.

Technological advancements, particularly in areas such as automation, artificial intelligence, and renewable energy, are reshaping industries and societies worldwide. A forward-thinking socialist model must not only adapt to these changes but also actively promote and invest in technological innovation. By doing so, it can enhance productivity, increase efficiency, and create new avenues for economic growth and sustainability.

### **Debt Ceiling**

One of the fundamental principles of best-practice socialism should be fiscal responsibility and the prudent management of public debt. While government borrowing can be a necessary tool for financing critical investments and stimulating economic growth during downturns, unchecked debt accumulation can become a burden on future generations and hinder long-term prosperity.

Implementing a reasonable debt ceiling, accompanied by a comprehensive strategy for debt reduction and fiscal consolidation, can instill discipline and ensure that public resources are allocated efficiently. This approach not only safeguards the nation's financial stability but also promotes intergenerational equity by preventing excessive debt burdens from being passed on to future generations.

### **Universal Income Grant**

In the face of technological disruptions and rapidly evolving labor markets, a universal income grant (UIG) could be a cornerstone of a best-practice socialist model. The UIG would provide a basic income to all citizens, ensuring a minimum standard of living and addressing issues of poverty and income inequality.

By decoupling subsistence from employment, the UIG could foster entrepreneurship, lifelong learning, and voluntary work, enabling individuals to pursue their passions and contribute to society in diverse ways. Additionally, it could serve as an automatic stabilizer during economic downturns, providing a safety net and sustaining consumer demand.

However, the implementation of a UIG would require careful consideration of its fiscal implications, potential disincentives to work, and the need for complementary policies to promote economic productivity and growth.

## **Conservation of Land**

Land is a finite and precious resource that must be protected and utilized sustainably. A best-practice socialist approach should prioritize the conservation of land, particularly arable land, to ensure food security and environmental preservation for current and future generations.

This can be achieved through sustainable agricultural practices, reforestation initiatives, and the establishment of protected areas. Additionally, urban planning and development should be guided by principles of land-use efficiency and environmental stewardship, promoting compact, transit-oriented communities and minimizing the encroachment on natural habitats.

## **National Specialisation**

In a global economy characterized by comparative advantages and interdependencies, a best-practice socialist model should embrace national specialization. By identifying and nurturing strategic industries and sectors where the nation holds a competitive edge, whether through natural resources, human capital, or technological prowess, it can enhance its economic competitiveness and achieve greater efficiency in the allocation of resources.

National specialization does not preclude diversification; rather, it should be accompanied by efforts to develop complementary industries and foster robust domestic supply chains. This balanced approach can contribute to sustainable economic growth, employment opportunities, and increased export earnings, while reducing reliance on imports and enhancing national self-sufficiency.

## **Reduce Number of Provinces**

Streamlining governance structures and minimizing administrative redundancies can be an essential component of a best-practice socialist model. One potential strategy is to reduce the number of provinces or subnational administrative units, which can lead to cost savings, improved coordination, and more efficient resource allocation.

By consolidating provinces, the government can eliminate duplication of services, centralize decision-making processes, and achieve economies of scale in the provision of public goods and services. However, this approach must be balanced with the need to maintain local representation, preserve cultural diversity, and ensure that the specific needs of different regions are addressed.

## **A Merit System**

A best-practice socialist model should be underpinned by a meritocratic system that rewards hard work, talent, and achievement. This can be achieved through the establishment of a robust education system that provides equal opportunities for all citizens, regardless of their socioeconomic background.

In addition to academic excellence, a merit-based system should also recognize and incentivize skills, expertise, and contributions to society in various fields, such as science, technology, arts, and public service. By fostering a culture of meritocracy, a socialist society can promote social mobility, nurture innovation, and attract and retain top talent, ultimately contributing to sustained economic growth and societal progress.

## **Use Input Output Analysis**

Leontief, The Russian Economist developed Input Output Analysis in the twentieth Century. If you are going to run any command driven economy or mixed economy, you would be wise to heed the lessons of Input Output analysis. For an example of why, turn simply to the South African situation and see the effects of electricity constrictions.

## **We are still capitalists**

Globalisation has made a mockery of borders in sovereign nations. We now all consume global products and we all produce for global markets. That means we have competitors and they want to eat our lunch. More than ever even socialist economies have to be aware of capital growth and building the markets that work for us.

## **Conclusion**

Best-practice socialism is not a rigid ideology but rather an adaptable framework that synthesizes the principles of social justice, economic efficiency, and sustainability. By recognizing the realities of globalism and technological change, implementing responsible fiscal policies, embracing universal income grants and land conservation, fostering national specialization, streamlining governance structures, and promoting a merit-based system, a socialist model can navigate the challenges of the 21st century and create a more prosperous, equitable, and environmentally conscious society.

# Suggested Reading

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# Appendix 1 : Blog

## Contributors To Do

JULy 24 2024

These are the tasks to be done:

Edit the Prosperity Plan Text for publishing in PDF format

Internal Links in the document must be edited

The numbers for the Western Cape need to be isolated.

The Spreadsheet Model needs editing, formatting

Website needs layout using Bootstrap.

Promote the Prosperity Plan

Here is where you can communicate and get data

[Reddit Forum](#)

<https://www.reddit.com/r/prosperityplan/>

[github](#)

<https://github.com/philipdc/prosperityplan>

## Press

IOL

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