

**Notes for a speech by the Minister of Finance on economic development and reparations to the Institute of Justice seminar, St. George's Cathedral, Cape Town**

*14 September 2000*

**Economic Policy: Repairing apartheid's damage**

The night before he took his own life, Primo Levi wrote darkly of a nightmare suffered by many victims of the Holocaust:

“They had returned home, and with passion and relief were describing their past sufferings, addressing themselves to a loved one, and were not believed, indeed were not even listened to. In the most typical (and cruellest) form, the interlocutor turned and left in silence.”

The cruelty of silence is something that we rejected through our establishment of the Truth and Reconciliation Commission. We know, through our own experiences, and from listening to the thousands of victims who came before the Commission, of the appalling pain and loss that too many suffered in our land.

But unlike the Holocaust, we were not in a situation where a silent majority had colluded with the atrocities inflicted on minorities. We are a society that has experienced systematic and legally framed oppression of a majority by a minority.

The sustained cruelty of the system left its mark on every black person in the country. The cruelty of forced removals, of inferior education, of economic repression, of pass laws, of statelessness, of racism.

Today we live in a situation where the former (?) victims have political power. But the past hasn't left us. The mark of cruelty is still manifest in the poverty we suffer, in the inequality in our country, in the appalling legacy of inferior education, in ongoing racism.

In his book, *The Warrior's Honor*, the journalist Michael Ignatieff, poses the question of whether truth can heal past injustices.

“When it comes to healing,” he writes, “one is faced with the most mysterious process of all. For what seems apparent in the former Yugoslavia, in Rwanda, and in South Africa is that the past continues to torment because it is *not* the past. These places are not living in a serial order of time but in a simultaneous one.”

In a substantial way, our yesterday and today are not the same. Yet parts of our yesterday live on in many corners of our land:

- In the six million unemployed, and poorly educated youth
- In the 12% of our population who have no toilets at all
- In the third of our people who live in shacks or huts
- In the more than half of our households who don't have taps in their houses
- In the nearly half who don't have electricity

The Poverty Report, which Stats SA has published, tells us as much about our past as about our present.

For instance, the poorest province is the Eastern Cape, not a big surprise. But the second poorest, contrary to all our expectations that it be some other province that swallowed up various “homelands”, is actually the Free State.

The Free State has always been known as a relatively well-off farming area. What does this tell us about the continuing oppression, the continuing burden of poverty that farmworkers face?

This is the legacy we're grappling with in South Africa.

Our central challenge then must be the challenge of development. To promote sustainable, but rapid development must be the most meaningful form of reparations for the vast havoc that apartheid wreaked on the lives of our people.

How do we begin to count the cost to, say, the man from Pageview whom the photographer, David Goldblatt tells us had to cut twelve inches off his marital bed, a bed specially carved by his grandfather, so that it could fit into the box-like house in Lenasia where he was forced to move?

Or a thriving stock farmer who once lived in the Tsitsikamma, who practically gave away his cattle to other farmers because he had to move, in a government truck, to a patch of land in the Ciskei. Why? Because he was black, and the farmers who profited from his desperate sale were white.

Or a young mother in a former homeland, who, at last, when she can move to the city in search of work, hasn't got the skills to find it.

Our challenge then is not only to make sure that the atrocity of apartheid never happens again, but also to wipe out its legacy.

It is the challenge of development, but specifically it is the challenge of sustainable development. It is the challenge of spending effectively so that we give relief to the poor today, but to invest enough for tomorrow so that our children have a future.

That is why we have to apply our minds to two kinds of spending -- spending for today to begin to fulfil the promise of a better life for all -- and spending for the future, which is investment spending.

This philosophy explains why the biggest slice of our budget goes into education. At R51-billion its our biggest single expenditure item, and could be one of the few defined as both consumption and investment expenditure. It's a sign of how seriously we take it that, of all developing countries, we spend the biggest proportion of our GDP on education.

In the past six years, we have actively redistributed state spending, particularly on school education. For instance in 1993, the poorest 40% of our people got just under 46% of the total budget for school education. By 1997, this had increased to a total of 57%.

In 1991, the average black child was likely to be in a classroom with 44 classmates in primary school and 36 in secondary school. By 1997, this had changed to having an average primary school class of 37 in primary and 32 in secondary schools.

The same redistributive pattern is evident in expenditure on health, social security, housing and water.

In racial terms the patterns are starker. On school education, we've moved from a position when black people got 58% of the public money in 1993, compared with 79% in 1997. In housing it moved from 53% in 1993 to over 80% in 1997, and in water from 71% to nearly 81% in the same period.

So in trying to meet the challenge of development, we have had to concentrate on these two aspects: increasing the immediate quality of life through redistribution, but ensuring that it is sustainable.

Through the delivery of services we hope to cut the costs of being poor because, as Francis Wilson once said, being poor is very expensive. It means paying a premium for water; it means paying a premium, either in money or time, for fuel. How many generations of women and children have lost out on schooling or on the chances of finding better paid work because most of their energy has been consumed with this kind of toil simply to cook, or to keep warm or clean?

Yes, the road to reconstruction and development is arduous. We are still faced with a significant unemployment problem, which is hard to break out of until the level of our domestic and foreign investment improves. We know the unemployment problem is particularly severe among African youth and women, those who suffered the worst consequences of inferior education. For instance, it's about 19% for men and a shocking 28% for women.

To deal with this challenge effectively, we need to measure the problem as precisely as possible. Why are women and youth, for instance, the worst-off victims? How does it inform our quest to repair the nation?

Governance is about making choices: it's about making choices between immediate relief – consumption spending – and about investment spending.

A major myth perpetrated about the democratic government is that the government “abandoned” the RDP for GEAR, as if the two were somehow not only mutually exclusive but actively antagonistic policies.

It is worth re-iterating the ANC resolution on economic transformation adopted in Mafikeng in 1997. “The emphasis in the RDP on macro economic balance has been a consistent part of ANC policy and has been mentioned in every policy document since 1990. The strategy for Growth Employment and Redistribution (GEAR) aims at creating the environment for macro-economic balances required for the realization of the RDP. In this, therefore, the GEAR does not seek to displace the RDP.”

But above all, this notion that RDP was scrapped for GEAR is a myth because the cornerstone of our government is precisely reconstruction and development. There could not be a separate department to focus on one area while the rest of government gets on with its “normal” work.

It is an exceedingly difficult task. As dangerous and as difficult as our struggle for democracy was, with all the sacrifices that so many of us made, the task of development is daunting.

One of the problems we face is one of human capacity. The Auditor-General has shown us several examples in the recent past when the resources, for poverty relief, for infrastructure development, were there but not properly deployed.

History is not fate, but we live in a world not of our own making. Our own history, and the mark it’s left, has not been of our choosing and neither is the global context we live in.

We live in the poorest continent on earth, a continent of 700-million people that has fewer telephone connections than the tiny island of Manhattan.

We live in a world where the standards of living in the developed world have increased by leaps and bounds in the 20<sup>th</sup> century but where increasing numbers of the global population – now more than half by the World Bank’s estimation – live on less than \$2 a day, in “dire poverty”.

“Part of the naked truth,” said our President Mbeki at the UN Millennium Summit last week, “ is that the second millennium provided humanity with the capital, the technology and the human skills to end poverty and underdevelopment throughout the world.

“Another part of that truth is that we have refused to use this enormous capacity to end the contemporary, deliberate and savage violence of poverty and underdevelopment.”

We live in a world where more people were killed in the twentieth century in wars and genocide than in all of human history before.

In the past decade alone we have witnessed the atrocities in Rwanda, in the Balkans in Europe, and in other parts of our own continent.

But we also live in a world of hope.

“There is no reason to despair,” wrote Michael Ignatieff in his much-acclaimed book three years ago. “For every society like Afghanistan mired in ethnic conflict, there is a South Africa making its arduous journey back from the abyss.”

So let us not forget that what we’ve achieved here has brought hope to the world.

Our task now is to understand, and act. Our economic policy must be concentrated on uplifting the poor, repairing our country, and on making it sustainable into the future.

Not to act on the economic legacy that apartheid has left us would be akin to Primo Levi’s cruel silence.

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