

**ADDRESS TO THE UNIVERSITY OF THE WESTERN CAPE
ON THE OCCASION OF THE RECEIPT OF AN HONORARY DOCTORATE
13 MARCH 2002**

Chancellor, Vice-Chancellor, Members of Senate, Guests, and most particularly Distinguished Graduates, Family and Friends,

I am honoured to be with you tonight, not just because this is a special and singularly colourful ceremony, but also because I know there is such an intimate significance in this graduation for everyone here. I am a guest not just in your home, but in a profound and particular family celebration. Thank you for this privilege. And let me say that, with you, I share an immense pride in the courage and dedication that has brought you here, as parents, as teachers, and as students.

The kind of courage that has sustained you over the years – sometimes many years – leading to this place, is the same courage that has kept us as a nation together on the social and economic reconstruction path that we have walked since 1994. It is rooted in a clear sense of direction and a willingness to engage intelligently with the challenges and pitfalls that confront us on the journey.

Let me share with you a few reflections on this spirit of intelligent engagement with the issues of the day, and more particularly the public policy challenges that we face in the land and the country that we love.

I don't just mean learned and informed instruction on the way forward, a tourist's guide to the adventures of development and reconstruction. I mean something closer to the ethic of disputation and contest in the realm of ideas, that has been so successfully fostered over many decades at this University, and that is such a rich and vital ingredient in our national discourse.

We have had to steer a difficult course in economic and fiscal policy over the years since 1994, because the social challenges we face are so immense, the economic environment is ruthless and unkind and we have faced undue scepticism from so many quarters.

But there is also the problem of economics itself. It is a peculiar discipline, characterised by strange and contradictory truths and mysterious incantations. My own apprenticeship

was thankfully in the altogether more prosaic field of engineering, at a sister institution not a thousand miles from this place. I chose, you see, a practical and sensible line of work, in which the relevant calculus translates tidily into angles of elevation and appropriate stress factors and loading constraints, and drawings on a page convert after a few months and one or two pay disputes with a sub-contractor into a three-storey building or an extra lane on a highway or a sewage processing plant.

Economics is not like that. It makes use of much of the same mathematics, but the meaning is surrounded with so much more mystery. The mystery is sometimes given names: the economics of uncertainty, asymmetric information, imperfect expectations, or most alarmingly, chaos theory.

I'm not sure that the problem is entirely the theory. There is also the personality of the economist – a chattering, disputatious character, with a powerful capacity to build prosperity on a foundation of assumptions and little regard for the practical realities of the world as we know it.

Well thankfully there are also economists who have acquired some communication skills along the way, and I am pleased to report that the economic literacy of several of my officials has been substantially enhanced by attending courses offered by this University's Economics Department. The great merit of these courses is that they demonstrate that grand economic formulas and equations frequently translate into quite attractive ideas that you and I understand perfectly well. For example, and I quote: "A person cannot spend the same amount of money twice." Indeed. This is something that not all government financial managers understand fully yet, and I'm going to be recommending this particular module strongly. Or, and I quote again: "Bureaucrats usually do not have any competition, and they behave rationally by being inefficient." The economic literacy handbook also has some rather rude things to say about politicians, but I don't think it would be a good idea for me to go into details.

I don't want to be misunderstood, so let me emphasise that the point of these examples is that economics tries to make sense of problems and challenges that arise right across economic policy and social organisation – how to deal with scarcity or shortages and competition over resources, and how to construct organisations, arrange institutions or shape contracts so that efficiency is enhanced and productivity improved.

The problems are easily identified, but the solutions are seldom simple. And so economic analysts and advisors are kept very busy and they often disagree. Of course, we might wonder whether the world would not be a better place if we deliberately held back from the breeding of another, more energetic, perhaps more disputatious generation of new economists. Life would surely be simpler if students, and their teachers, had complete respect for the incantations of the last generation of high priests.

Well, this is not our view. Life informed by a single economic orthodoxy would be stagnant, repetitive, naïve and ultimately barren. We have encouraged an active and energetic debate within the Treasury and within Government, on a wide range of social and economic policy questions, and we rely also on the richness and depth of academic debate and the policy discourse in the wider community. This is clearly intrinsic in the health of our democracy, and it also underpins progress in economic policy and the public finances.

Which is not to say that we will not defend our views, sometimes vigorously. This no doubt adds fuel also to academic discourse, for there would be little pleasure in robustly engaging with a limp Ministerial respondent.

So I want to pay tribute to those who, from time to time, have had the courage to present alternative views, and have challenged orthodox ideas – orthodoxies of the right, or the left, from Washington, from Pretoria, perhaps from institutions comfortably established on the slopes of Table Mountain.

But I also want to suggest that there are times when we could target our creative energies more effectively.

It helps to stand back, sometimes, and reflect on the path we have travelled. We began life as a democratic government in 1994 not with an empty slate in a newly staffed draughting office, but with a full and rigorously developed action agenda. There was further work to do in many policy areas, but we began work in delivering water to rural communities, in extending clinic and hospital networks, installing electricity, building houses, improving schooling, and in many other areas, because the Reconstruction and Development Programme provided a framework and a shared understanding on which we could build. We knew that this required a sound and sustainable fiscal position and balance of payments, and we set out to open our international trade and financial relations and reverse the rising public debt burden.

Healthy social and development spending programmes are now in place, the international competitiveness of South African industry is immensely improved, real wages and productivity have grown faster over the past eight years than ever before, and debt service costs are steadily falling relative to GDP, releasing resources for improving and expanding public services.

These things were achieved in part because sustained energy went into the consultation and thought behind the Reconstruction and Development Programme, and also because serious effort went into addressing the implementation challenges during the second half of the nineties. There were setbacks and mistakes, of course, but the main record is of progressive, well-considered implementation of a programme of social development and economic reconstruction.

But this, by no means, brings to an end the policy and implementation challenges we face. Indeed, the more expansionary and growth-oriented budget framework of last year and this year bring some new and pressing challenges – development of the institutions and capacity needed by our new municipal structures, reinforcement of infrastructure investment, adjustment to more volatile currency markets, and most critically re-shaping our growth trajectory so that it creates the job opportunities we need.

There is clearly an urgent need to address these challenges honestly and imaginatively, and to consider possibilities that might offend established orthodoxies. But there is also a risk that in our impatience to make progress against one set of social and developmental challenges, we may lose sight of the breadth and depth and coherence of the approach we chose in articulating the RDP vision in 1994.

Let me illustrate.

There is a role for promoting job creation through public spending on services and infrastructure. It is tempting to turn this into a call for a unified, comprehensive national public works programme, located in a new agency and with far-reaching budgetary and institutional powers. This might be right in a small institutionally fragile centralised transition economy, but in our context it ignores the institutional depth of our existing water, housing, electrification and municipal infrastructure programme. I have no doubt there is valuable work to be done in enhancing the quality of project management in these programmes, in exploring ways in which labour-absorption could be stepped up, in

reinforcing the pace of delivery, but we have gone well beyond the circumstances in which a single central agency should be given this task.

As a further example, consider the pricing and regulatory issues that accompany liberalisation of our telecommunications industry, restructuring of the electricity supply and distribution industries, and dismantling of agricultural control boards, in the context of our inflation targets and the recent volatility of exchange rates. Add to that our commitment to ensure that poor people should not be excluded from access to basic water, sanitation or energy by an inability to pay. But we need to keep our public utilities financially robust and able to maintain investment in new infrastructure and better services. This is a dizzying mix of complex social and economic considerations. There is a powerful analytical literature to draw on – from French concerns with the pricing of spring water two centuries ago to the modern-day analytics of pricing and regulating rapidly evolving and highly mobile internet services. Given the importance of these kinds of “network goods” – both to major industries making global investment decisions, and to poor households trying to manage on a modest pension – it is hard to imagine a more important cluster of policy issues. But if we are honest, we have to admit that we are not yet doing enough serious analysis here. There is a list of PhD and Masters dissertation topics somewhere in my briefcase I should perhaps leave with your dean of research.

Let me mention a few other policy arenas or challenging research clusters.

- ?? The development of Africa and enhancing our cooperation with other countries in the SADC region – giving impetus to the New Partnership for Africa’s Development: there are financial aspects, tax issues, trade agreements, transport and communication challenges.
- ?? Our urban and rural development programmes – not just their economic and institutional dimensions, but the social and cultural dynamics of household formation, movement of people, community safety and stability.
- ?? Enhancing municipal governance and service delivery, and taking advantage of the opportunities this development cluster offers for employment creation and skills development.

Of course, there is a work under way in many of your Departments and elsewhere on these and other issues, and much of this work is quiet, unpretentious and unlikely to reach newspaper headlines or Parliamentary debates.

I mention this because, while we should welcome vigorous public debates, we should also guard against forcefully presented simple solutions. Our approach to development, to reversing decades of discrimination and to reducing poverty and vulnerability involves numerous programmes, institutions, policies and initiatives. Many of these need further enhancement and reinforcement. We need the diverse and manifold efforts of your graduates and all those who seek to advance social and economic progress in our beautiful country, not in pursuit of a single solution but across the full spectrum of our development challenges.

Budget speeches over the past few years have exposed the fact that, from time to time, I seek solace in poetry. Let me conclude with a few lines from Ben Okri, one of Africa's finest poets

*You can't remake the world
Without remaking yourself.
Each new era begins within.
It is an inward event,
With unsuspected possibilities
For inner liberation.
We could use it to turn on
Our inward lights.
We could use it to use even the dark
And negative things positively.
We could use the new era
To clean our eyes,
To see the world differently,
To see ourselves more clearly.
Only free people can make a free world/
Infect the world with your light.*

Help fulfill the golden prophecies.

Press forward the human genius.

Our future is greater than our past.

Turn on your light, Ben Okri, 1999

But let me add, we can and must make that future, together.

I thank you.