

SPEECH BY FINANCE MEC INA CRONJÉ

EVENT: Conference on the Inaugural Provincial Government Economists' Forum

VENUE: Golden Horse, White Horse Conference Room, Pietermaritzburg

DATE: 1 October 2009

TIME: 9:50am – 10:20am

Programme director

Economists from National Treasury

Economists from Provincial Treasuries and Economic Development

**Departments in Mpumalanga, Limpopo, Eastern Cape, Western
Cape, Free State, Northern Cape, North-West, Gauteng and
KwaZulu-Natal**

**Professor Darma Mahadea, head of the School of Economics and
Finance at the University of KwaZulu-Natal**

**Ms Lorain Msimang and Mr Xolani Luthuli of the Durban Chamber
of Commerce**

Mr Andrew Layman of the Pietermaritzburg Chamber of Business

**Guests from the Economic Development component of the
Ethekwini Metro**

**Guests from the Department of Trade and Investment,
the National Department of Transport,
the Gauteng and KZN Departments of Transport,**

Guests from Statistics South Africa

Guests from the Gauteng Legislature

Guests from the Office of the Premier

The media

Distinguished guests, ladies and gentlemen

Informed decision-making – according to a cartoonist - **comes from a long tradition of guessing and then blaming others for inadequate results.** This is exactly why governments across the globe appoint economists and researchers – to prevent guessing and to address real threats and manage risks.

A rumour has it that economists forecast 9 out of the last 5 recessions!

Economics is apparently the only field in which two people can share a Nobel Prize for saying opposing things. (Specifically, Professors Myrdal and Hayek shared one in 1974.) **However, it now appears that there was a similar case in neuroscience. Maybe economists are not so different!**

Our President has said it... our Premier has said it, **“Poverty is the single most serious threat to our democracy and the future of our country and continent.”** To understand and tackle poverty – not only in our province and country but in the

world – governments have to be familiar with scientifically-based information, based on credible data and evidence.

Proper research is critical for peace, stability and development. Tensions within society are often associated with wide and widening gaps between the rich and the poor. Relations between and within communities suffer when people lack work and endure hardship, debt, anxiety, low self-esteem, ill-health, poor skills and bad living conditions. Therefore it is crucial that we, as government use our budgets and fiscal policies to promote social cohesion and reduce poverty. And to achieve this we need reliable information.

Research enables governments to make informed choices about public needs and public policies. It also helps us to look beyond financial aid and emergency funds by:

- enabling us to identify development processes and programmes that are more likely to succeed; and
- informing us of how we can make the most of new and emerging technology, e.g. ICT, nanotechnology and biotechnology.

The role of our economists and researchers is to provide scientific evidence and information that can shape our development policies and programmes. Some people define the role of economists and researchers in the public sector as **“preparing government to deal with current and future challenges and opportunities.”**

However, the current global recession has seriously dented the reputation of economists, especially in the USA and Europe, where the general opinion is that they failed to predict the economic crisis, and to provide solutions. One journalist felt so strongly about it that he took off in real economic jargon and wrote, **“Take that, you pointy-headed failures! Go jump off a supply curve!”**

To be fair, economics is not an exact science and economists are not sangomas. The economy is also too complicated for them to be spot on with all their predictions and solutions. And, in general, macroeconomists – those who specialise in business cycles and growth – have made important contributions to our understanding of economic trends. We must also concede that economists in general have contributed by providing society with useful information and insights.

However, some economists and researchers do deserve the rap when they become overconfident, superficial in their analysis, unrealistic and toe a particular party political line. They sometimes forget how important the human element is. Jane Sasseen and Theo Francis of the *BusinessWeek* (Washington) attribute the failure of US economists to spot dangers to their training – they were trained to think of financial markets as efficient. Former Federal Reserve chairman Alan Greenspan reportedly only admitted a “flaw” in his market ideology after 40 years!

¹ Alan Greenspan said a “once-in-a-century credit tsunami” has engulfed financial markets and conceded that his free-market ideology shunning regulation was flawed. ...Yes, I found a flaw,” Greenspan said in response to grilling from the House Committee on Oversight and Government Reform. “That was precisely the reason I

¹ *Greenspan Concedes to ‘Flaw’ in His Market Ideology (Update2)* by Scott Lanman and Steve Matthews. 23 October 2008. Bloomberg.com

was shocked because I'd been going for 40 years or more with very considerable evidence that it was working exceptionally well."

So, against the backdrop of a recession, green shoots – some wilting – of economic recovery, and a general atmosphere of more gloom and doom than optimism – let us use this conference to re-consider our profession. Let us honestly weigh up our strengths, weaknesses and re-examine our assumptions.

Today's inauguration of the provincial government economists' forum is an excellent opportunity to do just that. The establishment of this forum, which comprises economists from all Provincial Treasuries and Economic Development Departments, will go a long way to bring us together to work in a co-operative manner. So will the newly established KwaZulu-Natal Government Researchers' Forum assist in curing departmental 'groupthink'!

Economists and researchers often work alone, writing reports, preparing statistical charts and graphs, using computers. The occupational hazard of only working alone is that the benefit of collective wisdom can be lost and no exchange and testing of ideas takes place. Debate is healthy!

We have to get past the "**not invented here**" syndrome – as Henry Chesbrough states in his *Open Innovation: Beyond Knowledge Generation to Connection*. The result of the silo mentality is uncoordinated research and systems – as we are currently experiencing. We have to work as a team. We are not here to reinvent the wheel but perhaps to reinvent ourselves. Research must be in collaboration with our partners and stakeholders, who are likely to implement the recommendations arising from such research. We can all share and learn from our peers inside and outside our province and country.

Research is heavily influenced by the extent to which researchers are able to work with each other - not only within, but also across disciplines. When researchers work together, they can provide better direction to policy makers and government, thus ensuring that we reach our common goal of a better life for all South Africans.

This conference is an opportunity for our economists to put their intellectual property up for scrutiny by their peers; to agree on methodology and find solutions to problems. Like all decision makers, government has the pressing problem of information overload. Rather than chipping away at this from separate silos, these newly established fora have the potential to accelerate the finding of solutions to a number of problems.

We trust that it will address the following issues:

- training of researchers and economists
- provision of a uniform data base
- making proper inferences
- organising of chaotic data
- how to arrive at objectivity out of subjective observations through peer reviews
- producing clear, coherent and credible recommendations
- maximising research investment with a concrete set of analysis techniques
- comparing multiple alternatives, using credible research
- project and programme evaluation

- public policy development advice – research, options reviews, feasibility studies and public policy evaluation
- robust analysis of markets and sectors to develop a clear rationale for intervention to address market failures
- conducting surveys and market research

There has been a lot of debate around the advisory role of economists. Some argue that advice should, as far as possible be disinterested, non-partisan and objective. Others believe in the “art of making a case” and want economic advisers not to be neutral but like advocates, persuaders, and even partisans.

What does government need? The truth – based on honesty and integrity.

However, research and recommendations should be usable and communicated in jargon-free language that can be understood by senior policy makers. Communication skills are essential for any economist and researcher. Good academic writing on its own will not do the trick. Avoid long and pedantic reports – less is sometimes more. Numbers must be used appropriately and charts and graphs should tell a story.

Greenspan also became infamous for his often technical and cautiously worded speeches, and reportedly once mocked his own speaking style during a 1988 speech in which he said, “I guess I should warn you, if I turn out to be particularly clear, you’ve probably misunderstood what I said.”

The late World Bank official George Baldwin suggested that “the oral skills required are ... those of the good **bureaucrat** who must participate in meetings to achieve consensus, and of the good **diplomat** who must win and hold the confidence of the host government officials during field missions.”

Communication is king – among economists, researchers and decision makers. However, I urge you to also move the knowledge from your offices and laptops to ordinary people. Financial literacy, which includes saving, is at very low and almost insignificant levels in South Africa. I agree with Minister Pravin Gordhan that not enough has been done in the areas of financial education and economic literacy for South Africans.

Go to your local chambers and communities and share your knowledge with them and listen to their solutions. The future requires us to join forces. And your collective efforts would make a stronger contribution to today’s challenges than a lone voice in the wilderness.

We believe in the African proverb that “**tomorrow belongs to the people who prepare for it today.**”

Help us to spend our money wisely.

I thank you.