

Forget the myths; face the facts

Mistaken beliefs about South African productivity and the weakness of the rand have become so entrenched that fiction is often stronger than fact.

AT this year's Aardklop festival in Potchefstroom, I was privileged to attend the Sol Plaatje Discourse -- discussions focused on poverty and what to do about it in South Africa. Many people participated and I found it stimulating.

I was particularly struck by how many of us cling to positions that are plainly wrong -- I include myself -- and present them as if they were great truths. In the end these oft-repeated misconceptions gain the power of myth.

Two of these myths concern our work ethic and the value of our currency.

Too many people believe we have no work ethic in SA and that, consequently, our productivity is very low. This we accept as part and parcel of SA, a characteristic as entrenched as biltong and rugby.

But the available data tell us something different. And so does simple observation of our environment.

Successful business people report that they now do more business with fewer workers. We constantly read about companies laying off people while their turnovers increase. Improved volumes, but fewer workers -- how do you explain that?

There can be only one explanation: workers are more productive.

This information from the business environment is confirmed by statistics from the Reserve Bank. Data going back to 1960 show we have a history of poor productivity -- but also that the situation has been changing dramatically from the middle of the last decade.

This was when we re-entered the world after the isolation of apartheid and had to deal with globalisation.

Productivity has been improving by more than 4% every year since 1995. Last year it jumped by more than 6%, and that places SA among the world leaders in terms of productivity growth.

The belief that we are not productive and cannot develop a work ethic has been shown to be a myth. Whatever happened in the past, that's in the past. Now we are adopting better habits.

Part of the myth is that workers simply have to work harder for productivity to improve. Not so. Low productivity is caused by poor bosses – blame inadequate training, outdated equipment, poor supervision and wrong remuneration.

One businessman tells the story of how he acquired an established business and then had to buy basic equipment, which the workers never had – and of how productivity improved.

Poor bosses; low productivity.

The value of the rand is equally surrounded by myth. We blame Zimbabwe, the president's views on Aids, insufficient enthusiasm in our support for the United States and, always, the major reason: we live in a poor neighbourhood. No matter what we do, according to the myth the neighbourhood will pull us down.

Nonsense.

The weakness of the rand cannot be blamed on whatever is happening outside our borders, or on what is happening inside our borders but outside the economy. It is caused by events, policies and decisions inside our economy.

We have made exceptional progress in economic policy over the past few years. In many respects, the country is better managed now than at any time during the past three or four decades. And the results are visible everywhere – in the productivity figures, for instance, and in the export figures we discussed last month.

Of course, much remains to be done. And regarding the rand, we have to look specifically at the large uncovered position in foreign exchange, the net open forward position that reached \$25bn at its worst. This has been reduced to \$4.8bn, but it is still more than our total foreign exchange reserves of some \$3.5bn.

That is why the rand is weak. We have a future liability of \$4.8bn and reserves of only \$3.5bn.

At Aardklop somebody argued that the rand had been stronger than the Australian dollar for 25 years, but has been losing value against the Australian currency over the past five years. What he didn't mention, was the artificial cover provided by the financial rand, which used to protect our currency from international market forces.

Since the abolition of the finrand on 13 March 1995, the level of the rand has been the result of market forces. It is subjected to the discipline of an open economy.

The Afrikaans writer C.J. Langenhoven warned against shortcuts – there was a reason, he said, for the main road not following the shortcut route. The road towards a stronger SA economy has no shortcuts. Pay our debts, improve *per capita* incomes, lift net reserves to \$50bn, compete in a truly free market, clean the streets ... and the rand will respond.

In other words, get stuck in. Stop making excuses. And let go of those myths we are harbouring so tightly that we cannot move -- such as that we are being punished for living in a poor neighbourhood. Let's just keep our own house in order.

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