

On a recent swing through London talking to analysts and journalists I was struck by how much people wanted SA to be a success. Not that SA is top of their minds with the global meltdown on the one hand and the shenanigans of British parliamentarians' expense claims on the other. (The fury around the latter was quite palpable).

There were, of course, also the few that insists on seeing SA through the prism of a Zimbabwean analysis. They usually became unstuck with the counter-question what are the similarities with Zimbabwe? The discussion could then revert to a more thoughtful level.

### Whose success?

The areas where those I encountered wanted SA to be successful are also the areas where South Africans themselves want to see success: unemployment, poverty, health, education, crime. There is not much difference between what most South Africans want and what well wishers overseas want. There was a nuanced understanding of the importance of social development. I had the obligatory few things to say about crime, but even that took a back seat to the imperative of social development.

The focus, domestically and globally, is increasingly on the results of democracy and not so much the miracle of democracy.

Against this backdrop the successful hosting of the IPL cricket tournament, the Confederation Cup and the British Lions tour of SA could not have come at a better time for this country. Talking is one thing, actually delivering something else. And on these matters SA has delivered. The benefits for South Africa in terms of social as well as financial capital are obvious.

### Growth

The one question that kept on popping up (and again, it is also a question we ask ourselves here) was what our growth expectations are for the next few years. It seems as if everybody is on Joseph Stiglitz's wavelength: "Without growth there cannot be sustainable poverty reduction". High growth is important for social progress and social development. One cannot have the one without the other. It is thus understandable that the question keeps popping up.

In response, I always played our growth prospects down because I think the international environment is going to be tough for quite a while. Thus I suggested around 2,5% to 3% growth per annum over the next few years.

If one compares that with a population growth of less than 1% p.a. the sums add up quite surprisingly. Over the 15 years of democracy our per capita incomes have increased by some 30%. At a 2,5% growth rate that figure can again be achieved over the next fifteen years. Nothing like putting one foot in front of the other and just carrying on, regardless.

There is another reason I played SA's growth prospects down. Globally we have entered a period of state capitalism. Stiglitz summarized it well: "Old style Communism won't be back, but a variety of forms of excessive market intervention will return. And these will fail. The poor suffered under market fundamentalism – we had trickle-up economics, not trickle-down economics. But the poor will suffer

again under these new regimes, which will not deliver growth. Without growth there cannot be sustainable poverty reduction”.

## Ambition

This brings to the fore what our economic ambitions are. Are we happy with 2,5%? Or do we want to achieve more? Do we want to be like Botswana and South Korea? Or are we happy to be like Brazil in the 1980s or India in the first 30 years after independence?

What the economists would call our trend line growth rate (a rate at which we can grow consistently without running into boom and bust cycles) is probably around 3,5% pa. Well, if we grow at that rate and not at the 2,5% that I hung my hat on, we can cut five years off the 15 years needed to increase per capita incomes again by 30% - the number achieved during the first fifteen years of democracy.

Or to put it in a different way, at 1% extra growth per annum we can add one million *extra* jobs to the economy over a six to seven year period – slightly more than the lifetime of a parliament. Given that one job supports at least 2 to 3 people, it means a difference to the lives of 2 million to 3 million *extra* people. Not bad for just 1% growth.

If in the mean time we chip away at the constraints that inhibit our growth potential, that 3,5% ceiling can in due course be lifted. And so we can end in a virtuous circle.

But it is all dependent on our ambition. It is a conscious choice.

## Planning Commission

Perhaps this is where the new Planning Commission can play a role i.e. to set a vision and a growth target for our economy, backed up by a credible plan and actions to achieve that growth.

Let ‘s not forget the constraints that we must systematically chip away to lift our growth potential. That will mean that we must commit ourselves to an ongoing program of reform as we learn from our experience.

The ANC’s election manifesto of making unemployment and decent jobs a top priority is now, correctly the goal of the government. The question is how to change that manifesto promise and government goal into reality. “Employment opportunities” created under the public works scheme, important and useful as that is for poverty relief and giving hope, cannot compete with sustainable jobs created by sustainable economic growth. We need more. Stiglitz again: “Without growth there cannot be sustainable poverty reduction”.

## Learn from the BRICs

A study of the remarkable economic turn around and take-off that took place in Brazil, India and China (Russia is a bit of its own story) reveal some common experiences. Those countries embraced openness and an export orientation; and used markets cleverly to achieve high growth rates. I am fairly certain a study of Botswana’s remarkable success would reveal the same.

In the BRICs there was no slavish devotion to neither free market fundamentalism nor to socialism. Rather, there was a search for what works and what can make the difference. Thus Deng Xiaopeng's famous "What does it matter if the cat is black or white, as long as it catches the mice".

India escaped from three decades of low growth and took off after the 1991 reforms of the Rao government which embraced more openness and an export orientation. Brazil scuttled its decade old policy of import substitution and upped its growth rate from 0,3% p.a. in the 1980s to eight times that in the 1990s and fifteen times that in the 2000s. China's story is well known. Suffice to say it came from nowhere and is now on its way to reclaim the position of a few centuries ago when it produced 1/3 of the world's GDP.

Some people argue that the growth-through-export economic model is dead as a result of the current global crisis. Under pressure, certainly. Dead, no. Tourism is a form of exports, so is hosting cricket, the Confederation Cup and sport tours. There is also the natural market in Sub-Sahara Africa with which we trade to mutual benefit. Protectionism can of course kill an export orientation, but fortunately we are not quite there yet.

There is no reason why SA cannot set itself the goal, in pursuance of its job creation and anti-poverty goals, to double the size of the economy, create millions of extra jobs, lift incomes and hit poverty for a six. It all comes down to our ambition.