

Address of the President of South Africa, Thabo Mbeki, at the Annual Bank Conference on Development Economics

Cape Town, 11 June 2008

Dr Justin Lin, Senior Vice President and Chief Economist of the World Bank,
Trevor Manuel, Minister of Finance,
Professor Michael Spence,
Distinguished Delegates, Ladies and Gentlemen:

I am honoured to welcome you to the Annual Bank Conference on Development Economics. We are proud to host you here in Cape Town during this first ABCDE meeting in South Africa and Africa. We have a vibrant community of economists in South Africa as is the case in Africa as a whole, and our economists have a most engaging and challenging subject in seeking to contribute to policies targeted at the economic development in Africa.

The ABCDE 2008 South Africa web-page says that you have convened here to consider the over-arching theme - People, Politics & Globalization. It says further that you will discuss this with reference to the three challenges:

Globalisation, Investment and Growth;
Human Development for Equitable Growth; and,
the Political Economy of Shared Growth.

I have come among you today as one of the much-maligned human animals described as "the politicians". I must therefore accept that some in this audience will, even sub-consciously, see in the talking head currently standing at this podium what in the United States came to be known as a "carpet-beggars".

Whatever might be the truth in this regard, I would like to say that I and the rest of our Government are intensely interested in the outcomes that will issue from this important Conference.

The simple reason for this is that the matters on your agenda - Globalisation, Investment, Economic Growth, Human Development, Equitable Growth and Shared Growth are all matters of deep interest to all Africans, and I dare say, even to whosoever might fit the contemporary edition of the peculiarly African carpet-beggar.

As we prepared what I had to say this morning, I read an article published in April this year written by Jan-Peter Olters, who is described as the World Bank Representative in Montenegro. Among other things Olters said:

"The recognition of both globalisation's inherent potential and the accompanying risk has become the starting point in the ongoing policy dialogue between national governments and international financial organisations. In Robert Zoellick's words: "It is the vision of the World Bank Group to contribute to an inclusive and sustainable globalisation - to overcome poverty, enhance growth with care for the environment, and create individual opportunity and hope." The World Bank's emphasis on social inclusion - apart from reasons valid in themselves - stems from global experiences that social tension and large income inequalities lead to lower rates of potential growth, weaken political cohesion, contribute to environmental degradation, and add considerable costs to societies in terms of foregone opportunities. The principal challenge of economic policy-making thus consists of increasing the overall productivity of invested capital and employed labour with the instruments that governments have at their disposal - public institutions, laws, regulations, and mechanisms ensuring their rules-based application."

(On the Agenda: Inclusive Globalization: Author: Jan-Peter Olters, World Bank Representative in Montenegro, Published in Monitor, Vol. 19, No. 911 (April 4, 2008).

As I read this, I remembered some of my own education in Economics at an English University more than 40 years ago, whose Economics Faculty sought to drill into our heads a sound understanding of Development Economics.

In this context I recalled that we learnt to be supremely sceptical of the teachings of such economists as Peter Bauer and Milton Friedman, who as I remember, were presented to us as proponents of what some, today, would characterise as "market fundamentalism", which was and is fundamentally opposed to the very notion of "development economists".

What was happening then, and later, was captured subsequently by the African public intellectual, Thandika Mkandawire. In an undated Draft Paper written within the last eight years, and carried on the website of the UN Institute for Social Development, Mkandawire said:

"For two decades, starting from the beginning of the mid-1970s, the status of development economics in both academia and policy circles was not enviable... The "pioneers" of development economics were forced into a defensive posture as they fended off accusations of providing the intellectual scaffolding for dirigisme, which had failed, as well as of downplaying the role of the market.

"The "death" of development economics was not merely an academic "paradigm shift". It was given official sanction by the United States government. The US representative to the Asian Development Bank is reported (Newsweek 13th May, 1985) to have announced that the "United States completely rejects the idea that there is such a thing as 'development economics' (cited in Toye, John 1987: page 73).

"Development economics became, as John Toye remarks, "an Orwellian un-thing" in the eyes of the most powerful nation. The Spartan certainty of the ascendant neoliberalism as to what was required left no room for specialized knowledge of the problems of development. Mrs. Thatcher's strident "There is no alternative" was echoed in international financial organizations through a standardized set of policies that was applicable to all economies."

With regard to the famous Peter Bauer of my student years, the Internet Wikipedia Encyclopedia says:

"Bauer revolutionised thinking about the determinants of economic advance. Indeed, the World Bank, in its 1997 World Development Report, stated that the notion that "good advisers and technical experts would formulate good policies, which good governments would then implement for the good of society" was outdated: "the institutional assumptions implicit in this world view were, as we all realize today, too simplistic...Governments embarked on fanciful schemes. Private investors, lacking confidence in public policies or in the steadfastness of leaders, held back. Powerful rulers acted arbitrarily. Corruption became endemic. Development faltered, and poverty endured." This reflected the sort of arguments Bauer had been advocating for years.

"For Bauer, the essence of development was the expansion of individual choices, and the role of the state to protect life, liberty, and property so that individuals can pursue their own goals and desires. Limited government, not central planning, was his mantra. Bauer placed himself firmly in the tradition of the great classical liberals."

I must presume that this Conference has convened here in Cape Town as it has, to address the Agenda it has set itself, because you have made the determination that the proclamation about the death of development economics, including the apostolic pronouncements in the 1997 World Bank World Development Report, amount to nothing more than an opportunistic advertisement by a commercial funeral undertaker, driven by the objective to maximise his or her profit, as would any self-respecting carpet-beggar.

At the same time, it may be that you consider the fact that I have raised the questions I have about development economics as being somewhat arcane or archaic.

Let me explain myself.

As I have already said, I have to earn my keep as an African politician.

Almost by definition, especially because I represent desperately poor communities which absolutely cannot lift themselves out of poverty without the assistance of the rich countries of our universe, I have an obligation to implement the advice of those without whose support my people cannot achieve progress, and the necessary advance towards achieving the celebrated Millennium Development Goals - the MDGs.

The advice I get, which I must accept, is conveyed by well-funded and immensely educated civil society organisations and a very vocal media, which, together, serve as the "vox populi" and therefore the "vox dei"!

To this day, the message is very simple and straightforward - Long live Peter Bauer!

To celebrate Peter Bauer, without this being stated explicitly, which in any case would make no sense except to the helpless and trapped Cognoscenti, we are told that we must:

- Limit state intervention in the economy, to expand individual choice as part of the process of the great flowering of open democratic systems and the attendant and resultant putative exponential growth and development of the economy!
- More broadly, aim to build a minimalist state which should focus on providing such public goods as the protection of life, liberty, property and the environment, leaving all else to the market, except to the extent that the state must intervene as a rlator to correct the imperfect functioning of the market!
- Create maximum space for the domestic and international entrepreneurs to invest and make profit, understanding that this will release the immanent national energies necessary to create the wealth needed to achieve the objectives stated by the President of the World Bank, Robert Zoellick - "to overcome poverty, enhance growth with care for the environment, and create individual opportunity and hope"!
- Trust and follow the advice we will get from 'good advisers and technical experts, which, as a good government we would then implement for the good of society', provided that what the advisers and experts advise is consistent with the preceding prescsr!
- Always bear in mind that given the fact of globalisation, we would fail to attract the foreign direct investment we desperately need, especially because we are too poor to generate the investment capital we require to achieve the required rate of grow unless we abide by the rules set by the international capital markets and recognise the fact that we are competing with other possible investment destinations!
- Take into account the fact that the overwhelming bulk of investible capital in the world economy is privately owned. Foreign Investment for growth and development will therefore not come from Overseas Development Assistance funds, but from private invors whose central goal is not the understanding of unique national public imperatives, but identification of profitable business opportunities!
- Above all, we must take into account the fundamental demands of the global economy - privatise, deregulate, open up to free trade!

I am confident that the development economists and other participants present here today understand very well that the prescripts I have mentioned do not fully address the overall theme and the sub-themes of this Conference, suggested by the topic - People, Politics & Globalization.

However, the point I am making is that the dominant, immediate and material voice that bears on the African politician, such as the talking head standing at this podium, is the voice that proclaims, insistently - Long live Peter Bauer!

There are some in organised global human society who strive to achieve pre-eminence as an authentic voice of the people by claiming that, without fear or favour, they present truth to power!

In many instances many of these fail to understand that the "power" against which they pose as heroes and heroines is little more than a subsidiary formation in a global power system, whose pinnacle funds others who pride themselves on the claim of representing so-called civil society, to devote their considerable energies to a fight that targets shadows and the powerless.

I am convinced that gathered in this hall today, at the very Southern end of the African Continent, are thinking human beings who will help us the better to understand what we need to do to liberate ourselves from poverty and underdevelopment, refusing to be influenced by propaganda, supposedly universal truths, illusions born of smoke and mirrors, and intimidation.

Given the sphere of human activity in which I am inevitably and necessarily involved everyday, I cannot avoid the conclusion that we are necessarily involved in titanic battles on two broad fronts of an epoch-making war.

One of these battles pursues the objective to win the material and therefore objective short and medium term victories on the broad front of the struggle against poverty and underdevelopment in the countries of the South and globally.

The other is to win a critically important subjective and popular ideological and political battle, which victory would enable all humanity to deploy the enormous human and material resources demonstrably available within global human society to ensure that we achieve the historic objectives of development economics, even as broadly defined by the Nobel Laureate, Amartya Kumar Sen.

With regard to this latter battle, I firmly believe that contemporary human society disposes of sufficient intellectual, capital, scientific, technological, innovative and vocational skills and resources in fact to close the major fracture in global human society, which is poverty in the midst of plenty, and a process of globalisation that emphasises and entrenches wealth inequalities rather than a universal progression towards the achievement of the goal of a more equal and prosperous human society.

If I may, as an African, and given the Agenda you have set yourselves, I would like to suggest that you have convened here at the Cape Town International Conference Centre to consider what should be done to secure success on both the war fronts we have identified.

It is for this reason that I have said that I and the rest of our Government are intensely interested in the outcomes that will issue from this important Conference.

To have any meaning, development economics must relate not to the logical integrity of theoretical paradigms, important as this might be, but to the central task to achieve human development.

Since life does not stand still to allow for the philosophers to contemplate reality, this Conference, even within the context of its Agenda, will hopefully consider a variety of matters that are of major importance to the peoples of Africa and other developing communities elsewhere in the world.

As you know, there are some immediate and critically important challenges we face as a country and Continent, and various questions you must help us to answer in this regard.

One of these is - what interventions should we make to respond to the high and rising food and fuel prices? Given the unavoidable inflationary impact of this, which will inevitably reduce the standard of living of especially the poor, what immediate, medium and long term measures should we institute, including agricultural policies that would guarantee long-term affordable food security?

In this regard, what contingency measures should we take to adapt to the consequences of climate change?

How much reliance should we place on the possibility to implement the Comprehensive African Agricultural Development Programme (CAADP), and thus insulate Africa from the threat of food shortages and unaffordable food prices?

Will the outcomes of the recent FAO Global Summit in Rome help to address these issues?

Another one of these questions is - how long will the commodity boom last?

How should we, as Africans, take advantage of this boom to guarantee ourselves sustainable development even when commodity prices decline?

What practical measures should be instituted globally further to integrate Africa into the world economy, other than as a producer and exporter of raw materials, including the attraction of investments that would enable Africa to export greater volumes of manufactured, value-added products?

In the event that the global economy experiences a significant slow-down that negatively affects African exports and investment flows into Africa, what measures should we take to respond to this contingency?

All of us recognise the critical importance of the need to build the necessary human resource base to drive the process of sustainable African development to which we are all committed. We must therefore pose the question - what should be done to achieve this objective?

We also accept that, as can easily be demonstrated with regard to other regions in the world since the end of WWII and earlier, Africa needs the support of the developed world to achieve the "take-off" it requires. What should be done to effect this "development partnership", which would include overcoming the irrational but persistent 'Afro-pessimism'?

What should be done to implement the now universally accepted vision and programmes of the New Partnership for Africa's Development, NEPAD, which is fundamental to the realisation of the Millennium Development Goals as they relate to Africa?

We have all observed the recent exciting growth trends in Africa. For some this may appear to be the result of the passing impact of a commodity price boom. These may expect the African economies to slow down and run into difficulties at the end of this boom, much as many did after the boom of the 1960s and early 1970s, including South Africa.

But I am certain that those of us who have looked more closely at the development of Africa would have seen that there is evidence that the current opportunity to benefit from the commodity boom will not be frittered away as happened before, at least not by all countries.

There are various reasons that I would point to as evidence that our current growth acceleration in Africa will be sustained by a number of countries, and perhaps by enough African countries to ensure that the continental momentum is maintained.

In this regard I am certain of the capacity of the Conference delegates to think independently, and do their own investigations relatively uninfluenced by the mass media, enabling them to understand the reality that the African Continent is involved in an historical structural process focused on its sustained and progressive political, economic and social transformation.

Necessarily, development economics must be an integral part of this process. I trust that the fact that the ABCDE Conference meets in Africa for the first time will inspire all the participants to take it as their special obligation to intervene in the African development process to add impetus to our Continental drive to end our condition as the wretched of the earth.

In the text we have cited, Olters said: "The World Bank's emphasis on social inclusion - apart from reasons valid in themselves - stems from global experiences that social tension and large income inequalities lead to lower rates of potential growth, weaken political cohesion, contribute to environmental degradation, and add considerable costs to societies in terms of foregone opportunities."

The African, and perhaps global development challenge, is about poverty eradication, the reduction of income and other inequalities, strengthening social inclusion and political cohesion, the reduction of environmental degradation, and improving the capacity of individuals and society to take advantage of all opportunities to achieve development.

In his 1998 Nobel Lecture, entitled "The Possibility of Social Change", Amartya Sen said:

"If there is a central question that can be seen as the motivating issue that inspires social choice theory, it is this: how can it be possible to arrive at cogent aggregative judgements about the society (for example, about 'social welfare', or 'the public interest', or 'aggregate poverty', given the diversity of preferences, concerns and predicaments of the different individuals within the society? How can we find any rational basis for making such aggregative judgements as 'the society prefers this to that', or, 'the society should choose this over the other', or 'this is socially right'? Is reasonable social choice at all possible, especially since, as Horace noted a long time ago, there may be 'as many preferences as there are people'."

This learned paragraph from a treatise by a Nobel Laureate seeks to communicate the message that it is possible, in the celestial world of pure intellectual discourse, to posit a circumstance of coterminous expression of billions of different individual thoughts about the same thing, equal in number to all living human beings. At a certain level, especially within the context of an extreme solipsist view, this, of course, is a logical possibility.

However, practically, within the objective world of social existence, it constitutes an impossible proposition.

Nevertheless the possibility it offers to all of us gathered here is to advance an entirely theoretical paradigm, that we have no intellectual obligation to take any position on any of the important matters on the agenda of this Conference, because there are as many preferences as there are people, and therefore no logical possibility to make any rational policy proposals as a Conference.

However, the immediate reality is that all of us, whatever our social circumstances, know that the poor are knocking at the gate.

If this gate does not open, because we, who have the key, are otherwise involved in the challenging effort to consider the meaning and implications of social choice theory, among other intellectual pursuits, the masses will break down the gate.

They will do this to challenge us to join them practically to answer the question - what should be done to give effect to the human dignity that is due to those whom the modern social order, in all countries, defines as the wretched of the earth!

I believe that this is the fundamental question this Annual Bank Conference on Development Economics must strive to answer.

I wish you success in your deliberations and formally declare this important Conference open.

Thank you.