

**Graduation Address, Rhodes University, April 9 2010**

**By**

**Dr Rob Davies**

**Minister of Trade and Industry**

Chancellor,  
Vice Chancellor,  
Distinguished Guests,  
Ladies and Gentlemen,

It is a great honour to have been invited to deliver the address at this graduation ceremony. I am a former student of this University having graduated with an Honours degree in Economics in 1969. My departure from Rhodes was not, however, an entirely happy one. I was among a group of students excluded from the University for protesting a decision by the then Council to accede to pressure from the apartheid regime not to appoint an activist to a position in the faculty. Rhodes University has, thankfully, transformed considerably since then; transformed in terms of the composition of its student body, in terms of its ethos and in the way it is seeking to position itself in relation to the challenges facing our society. I have been made to feel at home and am very pleased to be back here in my *alma mater* participating in one of the most important events in the academic calendar.

Let me begin by congratulating those of you who will be receiving degrees and diplomas today. Well done to all of you for successfully completing the courses you enrolled for. Also let us pay tribute to the families and communities, without whose support and very often sacrifice many of today's graduands might not be sitting here today.

When you graduands receive your degrees and diplomas today, you will enter the ranks of the minority of people in our country who have tertiary qualifications. It is widely recognised that the single most important medium and long term constraint to economic growth in our country is a shortage of skills. As a graduate in a country with a shortage of skills, you will therefore be placed in a good position to realise your own personal ambitions and dreams. That is good. But you should also remember that the country as a whole has also invested in your higher education. We hope, therefore, that wherever your career may take you (whether in government service, parastatals, civil society, or the private sector) you will see yourself as an integral part of the collective national effort to bring about economic reconstruction and development in our country.

Ladies and Gentlemen, It is common cause that the world economy has just passed through its most serious recession since the Great Depression of the 1930s. Even now the recovery underway is weak and fragile, with no certainty that the world economy will not experience double dip recession. This global crisis was not of our making. It had its origins in the bursting of a financial bubble in the developed world – a bubble caused by a proliferation of speculative activity fuelled by a hands off approach by regulatory authorities mesmerized by narrow free market fundamentalist ideologies.

While we did not cause it, and while we may have been spared the systemic financial crisis that occurred elsewhere, the global economic crisis cost us nearly a million jobs as well as lost us industrial capacity. Even before the crisis, when our economy recorded its longest period of sustained economic growth at any time since World War II it embodied some major structural imbalances. Our pre-crisis growth was fueled by an unsustainable credit-driven boom. The consumption side of the economy grew at more than double the rate of the production side between 1994 and 2008. This growing divide between production and consumption led to unsustainable

imbalances, particularly a growing trade deficit externally financed by short term capital inflows associated with the global commodities boom. One result was that even at the height of the pre-crisis boom—between 2005 and 2007 – unemployment never fell below 22, 8% under this growth path. These realities together point to the stark fact that the unemployment crisis we face in South Africa is fundamentally structural in nature, even though it was worsened by the impact of the global economic crisis. Unemployment as we know is the major factor underlying the extreme challenges of poverty and inequality we continue to face 16 years after our democratic transition, and it is for that reason that the electoral manifesto of the ruling party identified the creation of decent work as the main task of economic reconstruction.

Now, I would want to contend that there is an abundant body of evidence from academic research (and one could cite writers such as Ha Joon Chang or Erik Reinart) to establish the point that there has never been a case anywhere or at any time in economic history of an economy setting out on a growth path characterized by increasing, as distinct from diminishing, returns to scale without policies that were

interventionist and sought to nurture and defend nascent infant industries in targeted sectors.

The 2010-2013 Industrial Policy Action Plan, which we launched in February, represents a modest attempt to begin to move in this direction. It identifies new industrial development opportunities potentially arising from the infrastructure investment programmes we will be undertaking, as well as the imperative to adopt energy saving and “greener” production techniques, and points to steps we need to take (through re-configuring our procurement and industrial financing measures, among others) to realize those opportunities. This is in addition to refining and upscaling our work on a range of other industrial sectors, agro-industries, automotive products, chemical industries and clothing and textiles among them. The current IPAP2, let me stress, does not represent our estimation of where we need to be as a country in terms of industrial policy, but we do see it as a step towards where we need to be. In the near future, my colleague the Minister of Economic Development, Ebrahim Patel, will be tabling a broader set of proposals of measures we need to take across the economy to place us on a new developmental growth path capable of

beginning to deliver on our mandate commitment of creating decent work, as well as on the outcome targets being set by the President for the economic cluster – which will require us to achieve ambitious targets for GDP growth, inequality reduction and increased labour absorption simultaneously.

Now, I want to respectfully suggest that all of this has a number of implications for institutions of higher learning such as Rhodes University.

I want to make two related observations. The first is that when we are looking for staff, be it in our own Department or associated agencies, to take up positions in industrial policy development and implementation, small business development, or cooperative support programmes among others, we find that the available pool is pathetically small. It's not that there are not a significant number of graduates in Economics and Social Sciences. Rather it is that many of those who follow these courses emerge inadequately equipped with appropriate skills, or just as importantly lacking an inclination or outlook that would encourage them to look for a position in units

responsible for industrial policy or development. Some of the challenges in enlarging the pool of appropriate skills no doubt lie with us and require better recruitment, in house training and retention strategies. But, I would want to suggest that some of the challenges also lie with those responsible for designing and teaching courses in higher education institutions. We have begun a conversation with my colleague the Minister of Higher Education and Training, Dr Blade Nzimande, on how we can work together to address this critical issue and work together to enlarge the pool of skills for development. I hope that higher education institutions will also begin proactively to turn their attention to these challenges.

This brings me to my second observation. It is widely acknowledged that the global economic crisis has created a major paradigmatic crisis for what became known as the Washington consensus or neo-liberalism. The effect has been a growing acknowledgement of uncertainty about neo-classical economics and policy prescriptions flowing therefrom. I attended a panel meeting at the World Economic Forum in Davos in January, where we heard such Ivy league luminaries as Edmund Phelps, Robert Shiller and Richard Thaler all

acknowledging that their discipline had both failed to predict the onset of the crisis and to offer appropriate policy advice. The soul searching now evident in the IMF, which has recently issued papers questioning the previously received wisdom on both strict inflation targeting and on the renunciation of capital controls is another example of the way in which old certainties are giving way to new doubts.

There is clearly now something of a void, welcome by many of us who have long seen a need for more space to consider and debate alternatives. But the existence of a void poses the stark challenge to identify what needs to replace it. This is a challenge to which we would hope to see our Universities energetically addressing themselves with new thinking and vigorous debate. This, moreover, would be something not just confined to Economics Departments or Commerce Faculties. Development is a multi-faceted process. While economic growth can be defined as an increase in the output of goods and services, development is an improvement in the human condition. Even at the time of the launch of the Reconstruction and Development Programme in the early 1990s, it was recognized that the two concepts are not identical, and that it is perfectly possible to



have economic growth without much development. Indeed in some respects, our challenge today can be identified as being to make the connection between growth and development stronger than it evidently was during our last growth spurt just before the recession. That requires joining up and making more coherent a number of still too disjointed policy initiatives, and at the broader level developing a coherent developmental narrative that is both multi-disciplinary and heterodox in nature – capable of looking for new and different solutions to old problems.

Another particular challenge for which a University like this one ought to be well equipped is the issue of rural development. This is a critically important issue, but also one in which we need to make much more progress in the near future. The creation of a new Ministry of Rural development and Land Reform under Minister Gugile Nkwinti is an indication of the priority government is now attaching to this issue. Some of the starkest challenges of rural poverty are to be found in this province, and it is therefore imperative that we find new approaches to the linked challenges of land reform

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and rural development in both former Bantustan and former white-owned commercial farming areas.

I know that under its present leadership Rhodes University under Vice Chancellor Professor Saleem Badat is committed to finding new ways to make its contribution to our national development effort. I want to congratulate you on your efforts to date, and encourage you to continue to search for new ways to make your contribution even better as we move forward. Once again, let me thank you for the opportunity to share some thoughts with you and congratulate those receiving degrees and diplomas. It is a great privilege to have an opportunity to welcome bright young minds such as yourselves into the vibrant developing economy which we want to transform South Africa into. Who knows, perhaps we might even find some of you joining us in the dti.