

**Speech of Prof Stan du Plessis, dean of the Faculty of Economics and Management Sciences at Stellenbosch University, on occasion of the BER's 70<sup>th</sup> anniversary celebration, 10 April 2014**

Dames en Here,

Dit is 'n professionele en 'n persoonlike plesier om 'n paar woorde te kan sê by die Buro vir Ekonomiese ondersoek se verjaarsdag, 'n instansie en 'n groep mense vir ek self die hoogste agting het, wie ek as vriende ag en wie ek dink die universiteit en die breë samelewing tot groot voordeel strek.

Earlier this week a journalist asked me whether I feel economists have much to apologise for. I don't doubt that I personally do, but presumably she had something else in mind, something along the lines of the sentiments expressed in Alan Greenspan's recent book, "the Map and the Territory", where he wrote:

“...leading up to the almost universally unanticipated crisis of September 2008, macro-modelling unequivocally failed when it was needed most, much to the chagrin of the economics profession... What went wrong? Why was virtually every

economist and policy maker of note so off about so large an issue?”

(Greenspan, 2013: 7-8)

Since this is birthday celebration for a Bureau for Economic Research, it would have awkward if I simply agreed with Greenspan or with the journalist.

In fact I told her that there was nothing wrong with economics as a profession or with the tools of economics as a way of thinking at the world. But the world is a remarkably difficult place to analyse: it is highly sensitive to contingent events, such as whether Russian Presidents decide to dismember neighbouring countries, and these events can have large and complex spillover effects. The future is pretty open, and as we forecast the future we are trying to anticipate the behaviour of people who will get to decide themselves how they will behave as the circumstances unfold. People can surprise us and they often do. That is not to say that that anything can happen though.

One of our greatest masters, Karl Marx, wrote that we “...make our own futures, but we do not make it just so”. “We do not make it just so” means that there are limits which make certain outcomes more likely than others.

These limits are both technical - such as the necessary connection between current account deficits and capital inflows - and more subtle, such as the connection between marginal tax rates and spending behaviour. It is in mapping these boundaries of the likely futures that economics finds its social value.

The Bureau for Economic Research at Stellenbosch University has added enormous value over seven decades by mapping the boundaries of the likely futures of this economy.

Ek sien vier vername bydraes vir die Buro oor hierdie sewentig jaar:

1. Die wetenskaplike insamel, hanteer en interpreteer van 'n groot hoeveelheid primêre data oor die ekonomie
2. Tweedens, die interpretasie van hierdie en ander data geskied met behulp van model-gebaseerde denke by die Buro. Dit is 'n geweldige belangrike bydrae van die Buro om modelle te skep en te gebruik.
3. Derdens, die Buro het oor sewentig jaar die soort reputasie vir die verantwoordelike gebruik van ekonomiese modelle en data ontwikkel dat die Buro vertrou word deur die openbare en privaatsektor as 'n

objektiewe bron van kennis oor die SA ekonome en 'n betroubare beleidsanalisis oor die moontlike toekomstige vir die ekonomie.

4. Die laaste rol wat ek vir die Buro sien is die taak om ekonome op te lei. Daar is meer as een manier om 'n ekonoom te wees; ons is nie suinig met die titel nie. Die een soort ekonoom is die Nobelpryswenner Professor Sir Jim Mirlees, by wie ek in Engeland mikroëconomie geneem het. Ek was opreg beïndruk met sy vernuf om stellings op die bord te bewys, maar het nie veel oor die samelewing by hom geleer nie. Die ander soort ekonoom weet sonder om te dink of die wêreldbeker R30 biljoen of R600 biljoen kon gekos het; het 'n idee vir ordegroottes, 'n intense belangstelling in die effek wat 'n nuwe beleidsmaatregel gaan hê en 'n entoesiasme om na die data te kyk. Hierdie soort ekonomie kan mens nie maklik op jou eie aanleer nie. Dit verg 'n soort vakleerlingskap en jy moet saam met meer ervare ekonome werk om te sien hoe dit gedoen word. Ek skat daar is 'n element van kuns hieraan, maar ek sal dit eerder oordeel noem. Die Buro speel hierdie rol in die lewens van "trainee" ekonome en doen dit al jare lank. Die trainees wat gelukkig genoeg was om hierdie vakleerlinge te wees sit nou oral oor die land, in die privaat en

openbare sektore en is 'n permanente nalatenskap vir die kwaliteit van denke wat hier by die Buro geskied.

As ek 'n oomblik by die laaste punt stilstaan - die vakleerlingskap vir jong ekonome - sal u alreeds sien hoekom die Buro so goed by 'n tersiêre instelling soos die Universiteit Stellenbosch pas.

There are additional reasons why we are delighted to have the Bureau in the faculty, and why the Bureau is a good fit within the faculty. The Bureau's role as a collector and analyst of primary data about the economy and about the business sector is the kind of public good that competitive markets will tend to under-provide. Stellenbosch is a public university and the Bureau's affiliation here has helped to convince funders that they were supporting a legitimately public good when they support the BER. This was also a clever voluntary solution, in the traditional of the Nobel Laureate Ronald Coase's thought, for a problem that might appear, at first glance, to require a require a coercive solution.

The central role of economic and econometric models at the BER is another natural fit with a university where the department of economics contributes research and trains students in the use of these models.

Ek kan nie nie die belangerikheid van model-denke by die Buro oordryf nie. Dít is wat wat ons ekonome maak. Denkers is al duisende jare geïnteresserd in die vraagstukke wat tipies aan ekonomie is, vrae oor welvaart en armoede, beleid, geld en so meer. Maar ons praat nie van ekonome voor die Fisiokrate in die 18e eeu nie. En wat daardie groep ekonome onderskei het van die morele filosowe soos David Hume wat hom in dieselfde era met hierdie vrae bemoei het was hulle model, hulle fantastiese *Tableau économique*, oftewel die zig-zag.

Hierdie zig-zag, 'n soort inset-uitset model van die Franse ekonome in die 1750s, was die eerste poging om data oor die ekonomie en 'n teorie oor die interaksies van die ekonomie bymekaar te sit as 'n gids vir denke en 'n instrument vir beleid. Dit was so dramatiese stap vooruit dat die Markies van Mirabeau gereken het dat daar slegs drie werklik groot ontdekkings was in die mens se geskiedenis:

1. die beheersing van vuur - toe ons beheer oor ons omgewing verkry het.
2. die ontwikkel van skrif - toe ons beheer oor ons verlede (en oor ons bure) verkry het.

3. Die Tableau économique, - wat die meganismes van die samelewing blootgelê het en ons instaat gestel het om beheer oor ons toekoms te neem.

Of course we know that Mirabaeu was a bit over-enthusiastic. Not only was the zig-zag a bad model, but no model can yield the information and the degree of control he anticipated. That is not a reason to disregard models though, as Alan Blinder wrote a few years ago:

“I often put the choice this way: You can get your information about the economy from admittedly fallible statistical relationships, or you can ask your uncle. I, for one, have never hesitated over this choice. But I fear there may be altogether too much uncle-asking in government circles, and in central bank circles in particular.”

This brings me to my final point. The BER is not your uncle. Instead the BER has gained the reputation for precisely the kind of responsible model

based thinking about our economy that makes it an invaluable source for information.

This is why government talks to the BER and why the SARB does too.

This is why the IMF never fails to visit the BER and why the rating agencies come too. This is why the private sector listens when the BER

talks and above all, this is why the university is so proud to be associated with the Bureau for Economic Research

Happy birthday to BER!