

## **capetalk interview with professor Eric Thorbeck**

### **Interviewer:**

#### **Introduction:**

What kind of economic policies are needed if South Africa is to prosper, to spur growth on the one hand whilst alleviating poverty on the other.

That's the subject under scrutiny of the Johannesburg Conference hosted, co-hosted by consultants, Trade and Industrial Policy Strategies along with UCT's Development Policy Research Unit.

What examples of success are there in other developing nations for us to draw on? One visiting expert is Professor Erik Thorbeck of Cornell University in the United States. Professor of Economics there and Food Economics as well as Director of Cornell's Programme on Comparative Economic Development.

### **Interviewer:**

Professor Thorbeck, on the line from Johannesburg. Good afternoon to you and welcome. Thanks for your time.

Growth and Poverty Alleviation – Surely the two go naturally hand in hand, or do they?

### **Professor Thorbeck:**

Yes, I mean, in general one can say that growth is a necessary condition for poverty reduction. It could mean not a nutrition condition and what we have observed over the years is that there are many different kinds of growth patterns, structures of growth, some of which have led to significant reduction in poverty and inequality and others that really have done very little to reduce poverty.

### **Interviewer:**

I presume that it is the first set that you are focusing on in Johannesburg today. But, what are the examples of countries that have got it right.

### **Professor Thorbeck:**

Of course, the prime examples of successful countries that have been able to grow and develop in a very equitable way and reduce poverty are a number of the East Asian countries, particularly South Korea, Taiwan, to some extent Thailand and Indonesia. And they have done it through, at an early stage of development, exercising agricultural development and rural development, investing in rural infrastructure and then gradually industrialising by taxing agriculture. But it is a lot easier to tax agriculture after growing output than it is out of stagnant output.

In Africa on the other hand we have many examples of countries, governments that have taxed agriculture very early in the development process and as a result this has led to a stagnation of agricultural output and massive migration from the rural areas to the urban areas that have caused all kinds of economic and political problems.

### **Interviewer:**

Professor Thorbeck, when you talk about agricultural development, rural development, investment in rural infrastructure – what do you mean by that? Could you unpick that a little bit for me?

### **Professor Thorbeck:**

Well, again that you want in need about success stories and the wonders of success stories – they would invest in roads, farm to market roads which reduce the transportation costs of moving food and agricultural products, irrigation, research and as a consequence prepared, I think, for gradual industrialisation.

And then, of course, the next stage was to follow what we call the concept of dynamic compared to the passage. At first produce the commodities that were relatively labour intensive, textiles for instance, and then gradually move to electronics, culminating in computer chips and so on. To do it in a gradual way at an early stage, not try to move directly into very high tech sectors when you have an employment problem.

**Interviewer:**

You mention Taiwan, a place I happened to have been. There the process took, what, twenty-five, thirty years.

**Prof Thorbeck:**

Well, I mean, you could say even fifty years. Starting from the late forties and forties on following the move from China, Mainland, to Taiwan to the present day; it really is a fifty year experience. But, I would say that by the end of the sixties, the agricultural situation had improved to the extent where the industrialisation and export logged, a growth process could start, which winched up another success element. They were very successful, because they were able to find the export market and very often niche markets abroad. They did not try to protect industries as other countries, particularly as much as Latin America had done.