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A MINOR DISSERTATION IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE DEGREE OF MASTER OF PHILOSOPHY IN RHETORIC STUDIES

A RHETORICAL ANALYSIS OF


written by
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CAPE TOWN, SOUTH AFRICA

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

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Date: 15 April 2004
GRADUATE SCHOOL IN HUMANITIES

DECLARATION BY CANDIDATE FOR THE DEGREE OF MASTER IN THE FACULTY OF HUMANITIES

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I hereby declare that I empower the University of Cape Town to produce for the purpose of research either the whole or any portion of the contents of my dissertation entitled: A Rhetorical Analysis of the Budget Speeches of South Africa: 1985, 1993, 1994, 2002 in any manner whatsoever.

CANDIDATE'S SIGNATURE

DATE

15 April 2004

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ABSTRACT

The annual national Budget Speeches made by the Ministers of Finance of South Africa are epideictic (ceremonious) speeches that praise the government’s economic policy for the coming year, recommend it to the nation, and also present the proposed Budget to the world. This speech contains information that is the policy of the government since it is ultimately written into law and so affects the fortunes of every citizen of South Africa.

The Ministers of Finance have to persuade the nation to adopt a plan for distributing the wealth of the nation which becomes a greatly significant exercise in the context of a developing third world country like South Africa where there is still great inequality. The Ministers of Finance do this by using ceremonious rhetoric that attempts to unite the people of South Africa under a common vision for the economy.

In this thesis, I provide an analysis of the political rhetoric of four Budget Speeches of South Africa, each selected because of their importance in the various stages of South Africa’s political history. This thesis is not an economic analysis; it is a rhetorical analysis of the speeches since the technique of rhetoric is used to analyse the Budget Speech.

The selection of speeches is as follows: the Budget Speech of 1985 represents the apartheid era, even though at that time there were some moves towards reform. The peculiar two-pronged apartheid rhetoric of providing a place for all South Africans,
of working together to build the nation and the economy, while there is still racial oppression is present in the introduction and conclusion of this speech.

With the development of negotiations in the early 1990s which culminated in the first democratically elected Government of National Unity in 1994, the Budget Speeches of 1993 and 1994 became more representative of the interests of all South African citizens. In these speeches there is the rhetoric of hope for the future, transparency and nation-building.

The 2002 Budget Speech represents a mature Budget Speech of a post-1994 South Africa where a democratically elected majority black party is in power. In the 2002 speech there is the rhetoric of solidarity, poverty and nation building.

In the chapters containing the rhetorical analysis for each speech there is a description of the rhetorical situation, a summary of the speech, and then an analysis of the inventio, dispositio, and elocutio of the speech. In the final section of the thesis I provide a comparison of the four speeches analysed. Included in this dissertation are illustrations of the Ministers of Finance, the official print version of their speeches, a selection of media articles published on or around the day that each of the Budget Speeches were delivered, and also the transcripts of two interviews that I conducted with two of the former Ministers of Finance.

Catherine WynSculley
Cape Town, South Africa
April 2004
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This dissertation was written under the meticulous supervision of Professor Yehoshua Gitay, co-director of the Centre for Rhetoric Studies at the University of Cape Town. Professor Gitay has been a most trusted teacher and advisor, and I would not have benefited from working on this dissertation without his careful mentoring. I thank Prof. Gitay for understanding my attempts at formulating this thesis, and helping me to write it. I owe him a great debt because he urged me to complete this thesis. I doubt that another supervisor would have had the skill or the patience to support me and persuade me to submit. And it is only because my supervisor was Prof. Yehoshua Gitay that I made the effort to get the job done; if it were anyone else I would have given up hope a long time ago.

Distinguished Professor Salazar, also a co-director of the Centre for Rhetoric Studies at the University of Cape Town, when he was not asking me to update the Rhetoric Studies website, was about to ask me to do so. The website will be improved in the coming months now that the thesis is done. Even though Prof. Salazar was not my supervisor, I appreciate his interest in my progress and his wish for me to finish.

I earnestly thank the former Ministers of Finance of South Africa for their willingness to be interviewed regarding the rhetoric of the Budget Speeches they authored which forms the focus of my work. Without their generosity my thesis would be poorer; I believe that their insights improve my work. I feel that I have been privileged to be
able to add their comments to my analyses, and having the insights of the Ministers of Finance themselves have strengthened my understanding of the speeches. I only hope that I have used my material well.

I sincerely thank Mr. Derek Keys, the Finance Minister for 1993 and 1994, who promptly said yes to my request for an interview. He provided me with invaluable information and I thank him for kindly spending the time talking with me about the 1993 and 1994 speeches which he authored himself. I valued his candid discussion of his brief time in office, and his explanations regarding some of the detail of the speeches.

I also sincerely thank Mr. Barend du Plessis for making space for me in his busy schedule. He had the remarkable task of remembering the circumstances of the 1985 speech, his first Budget Speech as the new Minister of Finance. I valued his frank and honest contribution regarding the turbulent times of the 1980s and the period leading up to the negotiations.

The current Minister of Finance, Mr. Trevor Manuel, could not meet me for a short interview because the Department of Finance had to appoint a new director-general, prepare the Medium Term Expenditure Framework, present the latest Budget Speech, and participate in the 2004 General Election, amongst other duties. It is my hope that we can do the interview at a less busy time for him in the future. I do feel the loss of his contribution, but I have tried to make up for this by examining the news media articles where he has been interviewed by others.

Many thanks to the University of Cape Town Career Development Programme staff for their continued support, especially the director, Anne Short. And thanks also go to the staff members of the UCT Centre for Higher Education Development (where I
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While writing the thesis, I enjoyed the opportunity to wrestle with my history as a South African, and began to better understand how my society functioned and functions now, and how the two phases, before and after 1994, have made an impact on my family and affected my own opportunities in life. Having been a child or teenager during most of the events that shaped “the miracle of South Africa” in the last two decades, when I read through the history and particularly the Budget Speeches, I understand the difficulties that South Africa has had and still has, from one of the most important aspects, that of the political purse. While there is much still to be done as the new South African economic, political and social landscape is still being created, I pray that my fellow citizens will allow democracy and forward-thinking to prevail. And that is where the art of Rhetoric steps in.

My foray into the realm of rhetoric has changed my life; and I do not mean this lightly. One of the reasons why I took the degree was in order to improve my writing skills. I am not the world’s best writer, but having been through the MPhil programme in Rhetoric Studies, where I was forced not to give up on written projects, including this dissertation, I feel more confident in applying the analytical and very practical skills that I have acquired in other parts of my life, whether at work, in my
leisure writing, friendly writing, job application or email writing, preparing a speech for the AGM of the governing body of the townhouse complex where I live, or participating in the UCT Employees Union email discussion list, etc. By sticking with the process over the last 3 years I have learnt many valuable lessons about formulating an idea, writing it up, incorporating the feedback and criticism when re-writing, and giving it back again for approval – it's all part of the process. I know that my time spent at the Centre for Rhetoric Studies has not been wasted.

I would like to add a few words on the very serious issue of plagiarism. At UCT recently there have been many discussions on plagiarism, from Vice Chancellors with concerns about plagiarism being quoted in the media to Professors who have ideas on how to counteract plagiarism in the day-to-day operation of the university. In this dissertation, as per the declaration I signed on the front page, I have made every effort to attribute the quotes and work that is not my own. If I have made the mistake of not doing so, or if I am seen to be plagiarising the work of others, it is not my intention to pass off others' work as my own, but it is my own neglect of detail for which I will have to take responsibility.

I would like that whoever reads this thesis will be satisfied with my attempt to untangle the words that shaped my country that are found in the Budget Speeches, to show my understanding of my chosen subject, Rhetoric; and lastly, my endeavour to unravel my own educational, social and historical circumstances.

Catherine WynSculley

April 2004
PREFACE

This dissertation contains the rhetorical analyses of four significant Budget Speeches of the Republic of South Africa (from the years 1985, 1993, 1994 and 2002) which are then compared and contrasted. The Budget Speeches are political and economic statements, using the epideictic speech form, that the Minister of Finance (as a representative of the Government) makes to the Parliament of South Africa each year. Even though the economic trends and strategies are important to note, they will not form the bulk of the thesis, unless they have some rhetorical value. Therefore, the main interest of this thesis is on the rhetorical design of the speeches, as instrumental parliamentary speeches that shapes the nation’s goals and ethos.

The dissertation consists of three main sections, namely the Overview, the Analyses, and the Comparative Analysis. The Overview is spread over the first three chapters and forms the foundation of the thesis. The first chapter is an introduction which gives the reasons for the selection of the Budget Speeches; this includes a brief comment on where the Budget Speech fits into the national budgeting process, and touches on the media’s reaction to the announcements made on Budget Day, the day when the Budget Speech is delivered, and Parliament’s role after the Budget Speech is delivered. A more in depth view of the South African national budgeting process is given in Appendix 1.

1 The main parts of the thesis are separated by its own coloured title page for ease of reference.
Chapter 2 is an overview of Rhetoric which provides the framework, and shows the type of analysis that will follow. Here it is shown that the rhetorical context, a summary of the speech, the discovery (as well as the ethos, pathos and logos to be found in the speech), and the arrangement and style are the cornerstones of any rhetorical analysis. And Chapter 3 contains some relevant historical background which frames the broader rhetorical situation.

The following section, chapters 4 to 7, provides a rhetorical analyses for each of the speeches. The first speech, from 1985, is an example of the apartheid budget speech, when the apartheid regime (with the National Party in power) was trying to contain vigorous political resistance to its policies. The second speech, from 1993, is the last apartheid Budget Speech of South Africa. It stands at the end of an era, and also at the gateway to a future where democratic forms of government become the norm for South Africa. The 1994 speech is the first speech of the Government of National unity, an uneasy coalition of parties which formed a multiracial democratically elected government. The 2002 speech is a reflection of the priorities and policy of South Africa at the present time, as it is governed by a democratically elected set of political parties, with the African National Congress as the majority party. This speech completes the transition of South Africa from a dictatorial state to a multi-party democracy.

The final section of the thesis contains a comparative analysis of the speeches. I compare the way that the Ministers of Finance have a similar approach and their differences in the discovery, arrangement and style of the speeches.

The aim of the rhetorical analyses in this thesis is to examine the change of rhetoric through the various transition phases in South Africa’s political history. The grip of the apartheid government on South Africa was at its most fearsome in 1985, when the townships were witnessing massacres of the protesting people by the Defence Force, and the media was suppressed by the Government of the day which was governing
the country under a state of emergency when the government gave itself almost
unlimited power. This is contrasted with the years leading up to 1993, when there was
a dismantling of apartheid's more vile policies. The 1994 speech is compared to the
1993 speech, especially since it was delivered by the same Minister of Finance who
worked for two years in his office, first under the apartheid regime and the second
under the post-1994 government of South Africa. Finally we compare the 2002
Budget Speech to the speeches from the preceding eras, since South Africa had at that
time been governed by a majority black democratic government for nearly a decade.
This thesis traces the rhetorical transition from the past era to the current democracy.

All the speeches are from the Government Printer edition found in the Government
Publications section of the University of Cape Town Library. The original page
numbering of the speeches' publication was kept, and these page numbers are
referred to in the thesis when quotes from the speeches are attributed.

The selected articles are from the Cape Times and Cape Argus newspapers; both are
published and distributed in Cape Town. Each budget speech has media articles
associated with it, from before and after the speech was delivered, and also an article
from the day that the Minister of Finance presented his speech.

For ease of reference, I have named the interviews I conducted with 2 of the former
Ministers of Finance as Interview-DK 2003 (the interview with Derek Keys), and
Interview-BDP 2003 (the interview with Barend du Plessis). I regret not having the
opportunity to interview the current Minister of Finance, Mr. Trevor Manuel, because
of his not being able to accommodate me at this particularly difficult time for his
office. But, I hope to interview him in the future; his input is truly missed.

Catherine WynSculley
Cape Town
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PART 1

An Overview
INTRODUCTION

In the world we live in today, it is not the case that every country produces an annual national Budget Speech as South Africa does. And it is not the case that in all countries that the annual national Budget Speech is eagerly awaited. In South Africa there has been a tradition written in law that each year the Government should provide the people (as represented by Parliament) with a Budget and the Budget Speech introduces this proposed law into Parliament\textsuperscript{1}.

In South Africa which in the last 55 years has been ruled first by a authoritarian nationalist government (from 1948 to 1993) and secondly by a socially conscious multi-party democracy (since 1994), the national Budget Speeches become rhetorically significant because they represent a mirror to the state’s policy. The speeches are crucial for the state’s financial situation, its international financial status and are vital as well for the citizen’s welfare as individuals. Mr Trevor Manuel, the current Minister of Finance, reiterates this sentiment when he says in his 2002 Budget Speech that:

\textsuperscript{1} Please see Appendix 1 for more detailed information on the national budgeting process in South Africa and how the Budget Speech fits into this flow of events.
We have sought to show our children that we have the power to enjoy the sweet fruit of liberty. The Budget we table today is testimony to the success of our transformation policies (Manuel 2001: 1).

This is the voice of a Minister of Finance at the height of his rhetorical career within the first decade of South Africa’s democracy, and he shows clearly in this statement that the Budget Speech is the place where we “show our children” how the country has progressed since the first democratic election in 1994. And Mr Barend du Plessis, the Minister of Finance from 1985 to 1992, under the Nationalist Government also says that:

Any Budget is of course, primarily a financial statement. But a state’s budget is much more than that: It provides a vehicle by means of which the government of the day justifies, articulates and pursues its goals for the country (Du Plessis 1985: 1).

This Minister of Finance reiterates the message that the Budget Speech is not merely a financial statement for the country. It is a point at which the government takes stock of its achievements, and outlines a plan to bring about a fruitful and prosperous future for its citizens. It is full of thanks and praise for the good that has and will be done through the appropriation and allocation of funds, and blame and contempt for the ills that have arisen or are about to be inflicted on the nation in the face of looming recessions or rising inflation. But there are also Budget Speeches where the message that the Finance Minister wants to put across is that the country has to “tighten its belt” and so seemingly unpleasant solutions are presented as prudent responses to unfavourable changes in the economy.

Because the Budget Speeches have these characteristics, they fall under the category of the epideictic speech which is a speech designed to represent character, achievements and status (see also the discussion on Rhetoric below). In this regard, as
these are speeches which are orally delivered, their impact depends also on the credibility of the speaker, that is, the Minister of Finance. The forecasts and appeals to the audience contained in the speeches include very important considerations for all aspects of life in South Africa, from the amount being spent on each child’s education in state schools, to the percentage of tax rate that the average worker will pay:

Parliament, the Press, and other sections of the community look to the budget and justifiably expect to find in it the information needed to assess the government’s impact on the economy and to judge the government’s stewardship of public monies (Van der S. Heyns 1982: 1).

Given the place of rhetoric in these endeavours, I introduce in Chapter 2, the matter of rhetoric and rhetorical analysis, outlining as well the structure of my analysis of each of the speeches. Given the significance of the rhetorical situation of the speeches (see below on Rhetoric), I also introduce a chapter which provides a brief history of South Africa which forms the broader rhetorical situation for the periods of the speeches which are studied here. I expanded the discussion starting from 1948 when the National Party came to power to the present set of circumstances under a post-1994 government.

Notice must be given to my focus on Rhetoric. This thesis is by all means not a study in economics, and not a financial analysis. The interest here is on the rhetorical study of the speeches. I would like to emphasise that this dissertation is not an economic, financial or political analysis of the speeches. The analyses that I offer are from a rhetorical point of view, where I apply the theory of rhetoric as originally formulated in the works of Aristotle, particularly his book called *Rhetoric*. I choose Rhetoric because this particular genre of the Budget Speeches is designed to build the nation’s values and goals. Hence, it is important to trace the development of this genre under the dramatic changes that took place in South Africa.
An important question here is the choice of the speeches. My main goal is to compare the rhetoric of the time periods, which is in fact the major task of this dissertation. Consequently, I chose a speech from the apartheid era (1985), then from the period when negotiations between the apartheid government and the ANC and other parties started to take place (1993), then at the year of the elections (1994), and lastly from the post-apartheid era (2002). The questions that are studied in this dissertation are as follows: how are the speeches presented, what is the ethos of the speaker, as they are reflected in the speeches and the period itself, their input on the speeches and how this is reflected; how is a new period expressed rhetorically? A comprehensive chapter towards the end discusses these matters supplementing the analysis of each of the speeches.

Each of the Budget Speeches is a wide-ranging document which consists not only of a speech, but also tables of income and expenditure. But, it is important to note that my interest here is in the speech as it has been delivered. Hence, I focus on the speeches themselves and not their supplements or the economic data provided within the speech. More specifically, I focus on the introductions and conclusions of the speeches because it is in these sections of the speeches that the epideictic rhetoric is most prominent.

It has became important for the government of the day of any country to justify it’s expenditure and taxation decision to both show that it is fulfilling its duty, and also to prevent criticism of its policies; to build the nation and to attract foreign investment. In a globalised economy, the Budget Speeches in South Africa are the official presentation by the government to the world of what its plans and policies are, and this significantly affects foreign investment\(^2\) which affects the prospects of the

\(^2\) It is interesting to note that even while the Minister of Finance is delivering the Budget Speech the markets are responding immediately to what is said.
country. The Budget Speech is the backbone of the implementation of the initiatives that the government of the day deemed important. The presentation of the Budget to Parliament shows a respect for the democratic process, even though it might be hijacked by a variety of interests, including the former apartheid government’s agenda. However, the question of Parliament’s ability or requirement to change or amend the proposed Budget is still under discussion.³

The Budget Speeches are presented to the Parliament of South Africa at the beginning of the period for which it was intended to affect. Generally the process that Parliament follows forms part of an annual cycle of negotiations amongst stakeholders, political and economic think tanks, and even the ordinary citizen can have input, all of which finally culminates in the Budget Speech which contains the mission, vision and basic information on the year’s economic policies (especially in terms of expenditure and taxation) for the next year, and might even look at the outcomes of the previous year’s Budget. After the speech is delivered, the proposed Budget is debated in the Finance Committees in Parliament and then presented as a final Appropriation Bill.⁴ Thus the Budget Speech which presents the proposed Budget leads to the proposed Budget becoming a Division of Revenue Bill that is voted on in Parliament and later on becomes a law in the form of the Appropriation Act for that year, so that the allocations and the spending of the money in government will be legal.

In the comparative analysis, I discuss the many rhetorical similarities and few differences of the selected Budget Speeches. For example, all the selected Budget Speeches contain thanks which is given to those who participated in the production of the Budget, and also the proclamation of gains and losses as a result of the changes made to the system, and also the proposals made to Parliament to persuade it to

³ See also Appendix 1.
⁴ For more detailed information, see Appendix 1.
accept the particular recommendations. These form the many traditional sections of
the Budget Speech in the sense that they are sections that are repeated each year
regardless of the political party in power even though this is not prescribed in
legislation. This forms the back-bone of a ritual that transcends party politics and that
becomes part of the traditions surrounding the Budget Speech in South Africa. A
ritual is defined as the connection between people and acts, that are similar or of the
same type that can be repeated and re-enacted as part of a tradition or cycle of events
(Perelman and Olbrechts-Tyteca 1969: 321). The Budget Speech itself is a ritual, but
one that is part of the legislation and constitution of the country. These layers of
"ritualistic" performance add to the ceremonious nature and the solemnity of the
occasion of the Budget Speech presentation:

Ritual defines the qualification which must be possessed by individuals who
speak (and who must occupy such-and-such a position and formulate such-and-
such a type of statement, in the play of a dialogue, of interrogation or
recitation); it defines the gestures, behaviour, circumstances, and the whole set
of signs which must accompany discourse; finally, it fixes the supposed or
imposed efficacity of the words, their effect on those to whom they are
addressed, and the limits of their constraining value. Religious, judicial,
therapeutic, and in large measure also political discourses can scarcely be
dissociated from this deployment of a ritual which determines both the
particular properties and the stipulated roles of the speaking subjects (Foucault

This is the main reason for placing the Budget Speech as an epideictic speech because
it is steeped in ceremony, and praises the system, and the workings of the economy,
whether it is part of an apartheid or democratic system. The importance of following
the various rituals is that the speaker creates a positive *ethos* through speaking what
the audience will recognise as being legitimate, even truthful (Foucault in Young
Recognition of the traditional aspects of the Budget Speech helps the audience to understand the speech and so be persuaded to adopt it.

The external manifestations of the ritualistic aspect of the Budget Speech is that usually in the days prior to and following the Budget Speech, the news media publishes a variety of articles on what will and should be in the Budget Speech and further political and economic analyses. Some of the television and radio news bulletins offer sneak previews and interviews with the Minister of Finance and other experts who are in position to comment. After the speech, there are further newspaper interviews and television talk shows where the Budget Speech is analysed. There are also non-governmental organisations, for example IDASA's Budgetary Information Service, that produce informative media on the various aspects of the Budget.

The first part of each rhetorical analysis has, as part of presenting the rhetorical situation, a summary of what appeared in a selection of newspaper articles which exemplify the type of media sensation that appeared before, after and on the day of the Budget Speech. Even in 1985, when it was common knowledge that the government was suppressing media commentary on the affairs of the government, the Cape Times still ran a few articles discussing the Budget and the information that was necessary to disseminate; but with very little political commentary. These articles provide some background, however, the focus of this dissertation is on the rhetorical analysis of the Budget Speeches.

It is important to note that the Budget Speeches were not "written" by one person alone, but received input from a variety of government authorities and experts, even though the Minister of Finance delivers it. Thus the Budget Speech becomes an expression of a government's desire to express to the nation and international observers its economic and financial plans for the future.
There are many different academic and popular definitions of rhetoric. But, the most significant definition, made by Aristotle in his definitive book *On Rhetoric*, is that rhetoric is "the available means of persuasion (Book 1, chapter 2, 1355a)". In other words, Rhetoric is the art that teaches an orator how to use language to persuade his or her audience to do, think or feel in a particular way.

According to Kennedy, Rhetoric "in the most general sense, is the energy inherent in emotion and thought transmitted through a system of signs, including language, to others to influence their decisions or actions (Kennedy 1991: 7)". Therefore, Rhetoric is a technique which helps orators to convince or persuade an audience to think like they do or in a particular way. Rhetoric assists us in doing this by providing us with a methodology for creating such persuasive texts. But, any speech or text which aims to persuade an audience must be prepared with this audience in mind in order to gain or reinforce the adherence of that audience (Perelman 1986: 808). A speech is never created in a vacuum because it is always a response, to a question, a statement, an idea, or a situation. Thus rhetoric becomes a method for increasing the audience’s desire to accept the message of the speaker. It is a way of obtaining agreement on a subject that is under examination; it provides a means for bringing about a vote for a person or ideal, and it helps to strengthen or divide communities by providing a platform for praising or denouncing people, things, or ideas. Below is the description
of how it is designed that Rhetoric, a tool, a technique, helps us to make this connection between the speaker, his or her message and the audience.

*Chaim Perelman and the New Rhetoric*

Perelman says that Rhetoric “has traditionally offered rules that are merely articulations of contemporary attitudes toward certain types of narratives”, but its main role, as it is emphasised by Perelman, is as a means for developing fields of enquiry (Perelman 1986: 804). In this dissertation, I am influenced as well by the Perelmanian approach to Rhetoric. Perelman defines the new rhetoric as “a practical discipline that aims not at producing a work of art but at exerting through speech a persuasive action on an audience (Perelman 1986: 808).” He defined it also as follows:

The new rhetoric, like the old, seeks to persuade or convince, to obtain an adherence which may be *theoretical* to start with, although it may eventually be manifested through a disposition to act, or *practical*, as provoking either immediate action, the making of a decision, or a commitment to act (Perelman 1979: 10-11).

Moreover, Rhetoric is a methodology “for uncovering of those strategies whereby the interest, values, or emotions of an audience are engaged by any speaker or writer through discourse (Perelman 1986: 804).” Perelman (1986: 804) says that “man’s basic method of judgement is argumentation, whether in dialogue with others or with a text, and the results are necessarily relative and temporal.” Therefore, even science and philosophy can be interpreted rhetorically; and rhetorical methods can be used in scientific and philosophical treatises.

The rhetoric developed by Chaim Perelman is called “The New Rhetoric” which holds that the audience is a construction of the speaker (Perelman 1968: 19ff). Here
we see that rhetoric also needs sociology and psychology as sister disciplines so that the *rhetor* may more easily find the necessary means of persuasion for his or her audience. It is a framework for deliberation that considers only the discursive means of obtaining the adherence of minds (Perelman and Olbrechts-Tyteca 1968: 8).

Traditional rhetoric used to focus on the orator, but Perelman explains that “a concern for audience, for intention, and for structure is … the mark of modern rhetoric (Perelman 1986: 803)”.

This is mainly because of the New Critics who separated the text from its author and historical situation, but could not separate the text from the interpretations of the reader’s mind and the reader’s context because:

... [the reader] must imaginatively re-create the original situation of that text as well as endeavour to understand those factors that condition his present understanding (Perelman 1986: 804).

Hence the importance of describing the “rhetorical situation” as part of a rhetorical analysis. Without an understanding of the situation at the time, we cannot fully analyse the meaning of the speech.

Another task of the new rhetoric is to “identify, in their verbal structures, how arguers claim rationality (Arnold in Perelman 1982: viii)”. This is contrary to previous attempts at analysing style or formal logic of the argument. Perelman wishes to discover the ways in which speakers claim to produce “reasonableness”. Thus, “Perelman was led to observe that the acceptability of assumptions about the nature of reality gives some arguments their qualities of rationality (Arnold in Perelman 1982: ix).”

According to Arnold, the New Rhetoric challenges Logical Empiricism which states that we cannot make rational judgements about actions or values, because the task of the new rhetoric is to find or provide a methodology for finding ways to bring about
decisions and actions regarding values. The techniques used in the new rhetoric is that the speaker “must start from theses accepted by his audience and eventually reinforce this adherence by techniques of presentation that render the facts and values, on which his argument rests, present to the listener (Perelman 1986: 808).” This is the basis of the types of argumentation in rhetoric; if the audience is made up of lay people, then technical terms will alienate them, similarly, if the audience is made up of scholars, then laymen’s terms will patronise them which makes it difficult for the speaker to reach the audience. Also, “... an agreement about common values must be accompanied by an attempt to interpret and define them, so that the orator can direct the agreement to make it tally with his purposes (Perelman 1986: 808).” Perelman invokes Hegel who said that “the history of philosophy is not regarded as an abstract and timeless dialectic that proceeds in a predetermined direction but as an argumentation that aims at universality at a concrete moment in history (Perelman 1986: 810).” Therefore, the new rhetoric is a way of contributing to “the development of a theory of knowledge and to better understanding of the history of philosophy (Perelman 1986: 810).” The major claims that Perelman makes about rhetoric are that argumentation proceeds informally; arguments are always addressed to audiences, the arguments move from acceptable premises, the arguments create a presence for certain ideas, ambiguity is not always avoidable, and rhetorical techniques can be used to create relationships between concepts (Arnold in Perelman 1982: x - xi). Returning to Aristotle, in rhetorical theory, the basic model for communication is through the construction of a triangular relationship between the audience, the text and the speaker. And it is the hearer or audience for which the speaker must be prepared for the audience and the text must be customised. Aristotle writes:
A speech situation consists of three things: a speaker and a subject on which he speaks and someone addressed, and the objective [telos] of the speech relates to the last (I mean hearer) (*Rhetoric*, Book 1, chapter 3, 1358b).

Rhetoric then can be defined as away for a speaker to produce a text which will affect the hearer in such a way that an action will be taken. This action can be to feel or think in a particular way. This means that mastering the art of rhetoric is a powerful means to produce messages that will sway audiences into a particular action by means of a carefully constructed text:

The part played by the audience in rhetoric is crucially important, because all argumentation, in aiming to persuade, must be adapted to the audience and, hence based on beliefs accepted by the audience with such conviction that the rest of the discourse can be securely based upon it. Where this is not the case, one must reinforce adherence\(^1\) to these starting points by means of all available rhetorical techniques before attempting to join the controverted points to them (Perelman 1979: 14).

Rhetoric is finding the available means of persuasion through the discovery (*inventio*), the appropriate arrangement of specifically chosen sentiments and ideas (*dispositio*), and the correct style (*elocutio*) for the particular audience one wishes to persuade. The goal of rhetoric is to:

... act upon an audience, to modify an audience’s convictions or dispositions through discourse, and it tries to gain a meeting of minds instead of imposing its will through constraint or conditioning. Hence it is not something negligible to be a person whose opinion we attach some value (Perelman 1982: 11).

\(^1\) The concept of “adherence” is a unique contribution made to rhetorical theory by Perelman (1979: 10-11).
Rhetoric is not, by all means, a brain washing technique or demagoguery. It is not a forceful imposition of one will upon another. It is the methodical and constructed way of bringing the audience to “adherence” with the speaker. Therefore, rhetoric is important for the development and maintenance of democracy, not only in allowing people to speak effectively when they are given the opportunity to live in a scheme of things where freedom of speech is welcomed, but also to help in bringing about a consensus when decisions are to be made and when an action needs to be taken:

Perelman says, in effect, that our arguments are as worthy as our efforts to encourage reasonable people to follow the “rule of justice” – to treat similar matters, things, and persons similarly (Arnold in Perelman 1982: xx).

Rhetoric then, is a valuable tool to bring about reasonable outcomes on important matters, to build consensus around issues, and to assist in decision-making. This view is shared by Barilli who says that:

Rhetoric is concerned with ordinary matters, and ordinary also is the public it addresses, precisely because it deals with issues that interest the members of a given community. Everybody [in a democracy] has a right to take part in debates, discussions and so on, to understand them, to master the terminology used, to enjoy them if possible, and finally to judge, to approve or disprove of the speaker’s words. This view is very democratic… since it suggests that the community, the demos, ultimately determines whether a rhetorical speech is credible, probably and whether it can be accepted (1989: viii).

Rhetoric in this dissertation is the tool for analysing how the Ministers of Finance sought to bring about the audience’s agreement to follow the proposals of the Budget Speech which is delivered as part of the “democratic” functioning of the government of the day. To this end, rhetoric provides insights into the speaker, the text and the audience of the particular case.
The Rhetorical Situation

A stated earlier, a speech is always a response to a prior situation (Gitay 1981: 42). The rhetorical situation can be defined as “the influence of the earlier stages of the discussion on the argumentative possibilities open to the speaker (Perelman and Olbrechts-Tyteca 1969: 491).” The socio-historic context of the audience is part of the rhetorical situation which is the point of departure of the speech. In this dissertation, the speech is a response to situations that are political, economic and historical that affect the country:

It seems clear that rhetoric is situational... To say that rhetorical discourse comes into being in order to effect change is altogether general. We need to understand that a particular discourse comes into existence because of some specific condition which invites utterance (Bitzer 1974:248-250).

The point of departure of the Budget Speeches is first and foremost political: the Minister of Finance uses the speech about economic policy as a political statement to members of and voters for his party. In the speeches as well we find the government’s responses to the critics of its policies.

Perelman emphasises that rhetorical analysis must take into consideration the “rhetorical situations” of the speaker or writer and listener or reader (Perelman 1986: 804). We cannot understand what was said unless we first understand the situation of the text, whether historical, political, sociological, or psychological:

Since we argue for people and not machines, we must recognise that an audience’s choices and judgements are affected not only by their knowledge and experience but by their situations at the time of confronting our arguments (Arnold in Perelman 1982: xii).
The rhetorical situation is the occasion which gave birth to the speech. The socio-historic context of the audience is part of the rhetorical situation which is the point of departure of the speech. The Budget Speech seeks to present to the Parliament the government's vision in a persuasive manner; the audience needs to be persuaded by the Minister of Finance regarding the government's vision.

Therefore, a rhetorical analysis requires a description of the rhetorical situation. In the case of the Budget Speeches, the rhetorical situation is not only what happens on the day the speech is delivered in South Africa's Parliament buildings in Cape Town, but it is also the broader history associated with the particular time period.

There are many audiences for the Budget Speech. These are always the government, members of Parliament, the citizens of South Africa, the business community, and the international community. The citizens of South Africa want to know that the budget is representative and distributes the country's resources equitably. Before 1994, the government did not distribute the country's resources fairly because the apartheid government favoured particular populations, mainly the white minority that formed its voter base. The business community inside South Africa is always keen to know the new inflation targets, types and rates of taxation, and also the government's plans for economic growth. International governments and businesses wish to know that South Africa provides good opportunities for investment, trade and other agreements.

All these audiences need to be persuaded by the Minister of Finance that the government's economic policy is able to address issues ranging from developing poor communities, to the creation of infrastructure and favourable conditions for the international investment that is required by South Africa as a developing country. If the international audience is not persuaded this will impact negatively on investor confidence and the government's ability to raise capital. Other nations might even impose crippling financial and trade sanctions, which will more often than not result
in the lack of voter support for the government in South Africa, and even unrest as happened in the 1980s.

Therefore, the Budget Speeches have serious consequences and the difficulty of the Minister of Finance lies in persuading all of his audiences to support the government’s proposals. As one can suspect, this is a difficult job, but every Budget Speech tries to cater to all these audiences, to persuade some and to placate others.

**A Guideline for Rhetorical Analysis**

There are five canons of rhetoric, namely, *inventio* (discovery of arguments), *dispositio* (arrangement of arguments), *elocutio* (style of the text), *memoria* (memorisation of the text), and *pronuntiatio* (delivery) (Perelman 1979: 2). Usually only the first three canons are discussed because the memorisation and delivery of speeches have been neglected in the modern age which relies mainly on written texts (Corbett 1990: 27). Aristotle was one of the first scholars who systematised rhetoric and it is his book named *Rhetoric* that we still use as a primary reference. Corbett (1990: 544) says that:

> Perhaps the key to understanding Aristotle’s approach to rhetoric is the recognition that probability is the basis of the persuasive art. Orators often base their arguments on opinions, on what people believed to be true rather than on what was demonstrably and universally true. But whereas Plato found this reliance to be a defect in the art, Aristotle saw it as a necessity.

A rhetorical analysis of the Budget Speeches is different to a political or economic analysis of them. A rhetorical analysis scrutinises in depth the techniques of communication and persuasion used by the minister to put across both political and economic messages to the various audiences that the Budget Speech is designed to address. Nobody knows for sure that the proposed budget is the best possible
outcome. All that the economists and other experts can do is give the best advice they can presently, and predict the outcomes as best they can. All that the government can do is commit to a policy and hope that they produce favourable results. The Minister of Finance is counting on the probability that he is right and that his listeners will realise that he has their best interests at heart.

Inventio – Discovery

Before someone starts writing a speech, they need a plan which sets before them the possibilities for persuasion, which provides them with ways to structure the reality of the situation for our audience. *Inventio* is the discovery of such a map of ways to talk about the chosen subject. An arguer must find methods by which to transmit her opinions and ideas, which produces what Perelman terms “presence” (Arnold in Perelman 1982: xiii).

*Inventio* consists of an orator shaping her thoughts around some or all of the following: three Special Topics which are the main types of speeches, namely the Deliberative, Forensic and Epideictic. There are also Common Topics such as Definition, creating Relationships, explaining the Circumstances, and providing Testimony. Arguments specifically can be divided into Fallacies, Syllogisms, and Enthymemes.

All of these points of discovery serve to bring about three types of appeal: *Logos*, the appeal to reason; *Ethos*, the ethical appeal to the audiences judgement of right and wrong (often this appeal focuses on the *ethos* of the speaker) ; and finally, *Pathos*, the emotional appeal that brings about a consensus on what is acceptable as good and what is to be denounced as harmful. *Inventio* then is a way of organising the evidence for your opinions and beliefs in your speech.
According to Aristotle, there are two kinds of arguments (that is to say, proofs). The first is non-artistic (for example, laws, witnesses, contracts, etc.), and the second which we are mostly concerned with in this dissertation is artistic: that is, logos, pathos, and ethos which are the appeals to the reasonableness of the audience, appeals to their emotions, or the speakers reliance on his own ethos to bring about persuasion, respectively (Aristotle, *Rhetoric*, Book 1, 2, 1356a). In the Budget Speeches we have both types of "arguments", because the Budget Speech includes tables and lists of data (the non-artistic proofs), and also all of the artistic proofs.

The topics are devices in a checklist that one can use in the discovery of arguments. There are common topics: definition, comparison, relationship, circumstance, and testimony (Corbett 1990: 97). And special topics for forensic oratory (such as the worthy, and the advantageous), deliberative oratory (such as what happened, the definition of what happened and the quality of what happened), and epideictic oratory (courage, temperance, justice, liberality, prudence, gentleness and loyalty); as found in Corbett (1990: 133–143). A full discussion of the types of speeches is below.

The Budget Speeches are epideictic speeches. Topics that are used in the discovery of arguments for an epideictic speech are geared towards finding ways of establishing ethos. The special topics relevant to this discourse are firstly, virtues and vices, and personal assets and achievements (Corbett 1990: 139). In this case the topics of the Budget Speech will centre on the virtues of the budget, and the assets and achievements of the country. The type of virtues include courage, temperance, justice, liberality, prudence, gentleness and loyalty. The opposites of these are the vices. In the Budget Speeches, find the Minister of Finance often calls for courage in the face of huge debt, justice for the poor, and the prudence of the economic strategy of which the budget is a key component. The assets are physical attributes, external circumstances, and achievements (Corbett 1990: 140-142). In the Budget Speeches the examples of the special topic called "external circumstances" are as follows: the historical and political circumstances that the South African nation has changed or
overcome, and the people’s achievements in terms of persevering against great odds, and the “miraculous” transformation of the country.

The common topic that is applicable in epideictic speech is amplification and depreciation: “when we seek to praise someone, we naturally try to magnify or amplify a person’s virtues and to minimise or downplay a person’s vices (Corbett 1990: 142).” We amplify, magnify and heighten praise when we show that the person was the first to do something, was the best at it, they achieve the particular success often, they achieve success under special circumstances, and they can be compared to famous people (Corbett 1990: 142). Aristotle says that,

in epideictic one should also use many kinds of amplification, for example if the subject [of praise] is the only one or the first, or one of a few or the one who most has done something; for all these things are honourable. And [praise can be taken] from the historical contexts or the opportunities of the moment, especially if the actions surpass expectation (Rhetoric, 1368a).

For example, in the Budget Speeches, the amplification is in terms of whether the Minister of Finance is the first or last to present the speech (for example, Minister Derek Keys presents the last budget of the Nationalist Government as a first time Finance Minister), and the fact that the accomplishments of the budget is achieved under special circumstances, whether it is under “adverse extraneous circumstances” (as in the 1985 speech) or under a heavy burden of debt (as in the case of 1994 when there was a special tax to pay for the transformation of the South Africa from an apartheid state to a post-1994 state).

Aristotle defines logos as the type of persuasion that occurs “when we show the truth or the apparent truth (Rhetoric, Book 1, 2, 1356a)”. Moreover, it seems that:
...most of the claims we make in arguing are not self-evidently true; they must be made to seem reasonable. They cannot be “proved” completely; they must be judged to be reasonable by those to whom the claims and their supports are presented (Arnold in Perelman 1982: xi).

One can only expect a degree of acceptance by an audience because we do not have an ultimate truth to argue for when we argue about values, unlike the type of truth that is assumed in science and philosophy.

Logical positivism claims that because we can argue for any “truth” we cannot make a case for true rationality. This leads to a paradox: “They grant that all arguments, including their own, are inconclusive, but they insist that their arguments are “convincing” (Arnold in Perelman 1982: xv-xvi).” Perelman defines logos as follows:

One of the richest and most confused [terms] of all is that expressed by the term logos, which means amongst other things: word, reason, discourse, reasoning, calculation, and all that was later to become the subject of logic and the expression of reason. Reason was opposed to desire and the passions, being regarded as the faculty that ought to govern human behaviour in the name of truth and wisdom (Perelman 1979: 26).

The speaker may present logical (syllogisms) or quasi-logical arguments (enthymemes) in order to bring about a change in the thinking of the audience through reasoning. With the appeal to the audience’s logic, there is a need to analyse the assumptions and the fallacies, and whether the type of argument is a response used to concede a previous argument, to refute, or to produce a counter-argument.

It would seem that most arguments in speeches would be of the analytical or philosophical kind where the premises and conclusion are set out in a scientific way. Often, the argument is embedded in the speech in more subtle and sophisticated
ways, in order to allow the audience to think that it was they themselves who thought up the argument (See Aristotle’s *Rhetoric*). This is called an enthymeme which Aristotle defines as:

… a syllogism dealing with such practical subjects. It is therefore roughly true that the premises or conclusions of enthymemes, considered apart from the rest of the argument, are maxims (*Rhetoric*, Book 2, 21, 1394a).

Appeals to the audience’s reason can take the form of inductive or deductive reasoning. A syllogism is the form of logical deductive reason and in rhetoric, the enthymeme is its equivalent, with an example being the equivalent of a full induction (Corbett 1990: 23). Contrasting to the enthymeme is the syllogism which is a chain of reasoning:

The syllogism is made up of three propositions: a major premise, a minor premise, and a conclusion (Corbett 1990: 49).

The *enthymeme* has come to be known as the abbreviated syllogism, “an argumentative statement that contains a conclusion and one of the premises, the other premise being implied (Corbett 1990: 60)”’. This is a feature of the contingent and sometimes even vague nature of the topics that rhetoric deals with (Corbett 1990: 61). While the enthymeme might have a premise that is weak and, therefore, hidden, the persuasiveness of this type of argument cannot be doubted (Corbett 1990: 64).

Fallacious reasoning can also be used rhetorically. Examples of the types of fallacy one can find in argumentation are the faulty analogy, denying the antecedent, and begging the question.

*Pathos* is an emotional appeal; it is the type of argument that is made through the use of emotive imagery and figures of speech. Aristotle says that persuasion through
pathos occurs because “we do not give the same judgement when grieved and rejoicing or when being friendly and hostile (Rhetoric, Book 1, 2, 1356a).” Often audiences are swayed to make a decision because of their emotional response to the speaker and his argument. This can work for or against an unscrupulous speaker (Corbett 1990: 87). While people in the audience do not usually have absolute control over their emotions, a speaker should not attempt to persuade by emotion alone; similarly, “intellectual conviction is often not enough to move people’s will to act (Corbett 1990: 94)”. The pathetic appeal (pathos) is made by the speaker’s conjuring up emotions and the passions of the audience through the use of poetic or rhetorical language and figures of speech, as well as imagery, use of humour, symbolism, allusions, irony, rhythm and repetition. In the Budget Speeches the Minister of Finance will pick up on an emotional topic and guide the audiences’ feelings toward a particular outcome, whether pity for the Defence Forces (as in the 1985 speech), or encouragement to create a unified South Africa (as we see in the 2002 speech).

The most important and possibly the most powerful type of appeal is ethos. The Minister of Finance makes an ethical appeal by invoking his ethos, the characteristics of the person he is (whether belligerent or careful), and his political background. Aristotle defines the ethical appeal as follows:

[There is persuasion] through character whenever the speech is spoken in such a way as to make the speaker worthy of credence; for we believe fair-minded people to a greater extent and more quickly [than we do others] on all subjects in general and completely so in cases where there is not exact knowledge but room for doubt. And this should result from the speech, not from a previous opinion that the speaker is a certain kind of person (Rhetoric, Book 1, 2, 1356a).

Therefore, the rhetorical analyses to follow will concentrate on how the ethos of the Minister of Finance is displayed in and used in the Budget Speeches. This is because the ethical appeal can be seen as a feature of the speech itself, not because the speaker
has such an “ethos” already developed outside of the text. While rhetoric can specify
the more technical aspects, the ethical appeal cannot be taught, and must be
developed by the writer as a person (Corbett 1990: 81). Aristotle defines ethos of a
speaker as:

… three things which inspire confidence in the orator’s own character – the
three, namely, that induces us to believe a thing apart from any proof of it: good
sense, good moral character, and goodwill. … It follows that anyone who is
thought to have all three of these good qualities will inspire trust in his audience
(Rhetoric, Book 2, 1, 1378a).

The Ministers of Finance rely heavily on their personal ethos within the speech as
well as showing the ethos of the budget as a “team effort” of the government.

Epideictic Address

Aristotle recognised three types of speech: the forensic, deliberative, and the
epideictic. Forensic speeches are usually delivered in a court of law and deal with the
just and the unjust; the deliberative speech is used to persuade people about various
courses of action (Aristotle, Rhetoric, Book 1, chapter 3). Kennedy explains that:

In Rhetoric 1.3 Aristotle identifies three occasions, or species, of civic rhetoric:
(1) deliberation about the future actions in the best interest of the state; (2)
speeches of prosecution or defence in a court of law seeking to determine the
just resolution of actions alleged to have been taken in the past; and (3) what he
calls epideictic, or speeches that do not call for any immediate action by the
audience but that characteristically praise or blame some person or thing, often
on a ceremonial occasion such as a public funeral or holiday (Kennedy 1991: 7).
The epideictic speech is "ceremonial" or "demonstrative" and is used in praising or blaming particular people or events, and shows what is either honourable or shameful (Aristotle, *Rhetoric*, 1358b). The epideictic speech focuses on the noble or base in actions, people, governments or ideas.

Epideictic speech is ceremonial speech which seeks to obtain the audience's sympathy through paying tribute to some things or people and criticising others. Aristotle describes epideictic speech as ceremonial oratory that is only for display purposes, and believes that

> Those who praise or attack a man aim at proving him worthy of honour or the reverse, and they too treat all other considerations with reference to this one (*Rhetoric*, Book 1, chapter 3, 1358b).

The epideictic speech is not argumentative, even though it might have elements of the deliberative. It does not engage in argumentation in contrast to the deliberative speech which is used mainly in political situations that require an act of persuasion to move the audience to take specific position. The epideictic speech represents values, a vision. Consequently, this genre of speech seeks unification, seeks to indicate how people are unified under a common set of values. This speech seeks to stir the audience, to inspire them given the vision presented by the speaker. The annual national Budget Speeches delivered in the Parliament of South Africa are not argumentative; they seek to unify the audience under the scheme of the country's proposed budget, but not merely in terms of the numbers and tables. Rather, they seek to involve the audiences in the speaker's vision, which is presented as the nation’s vision. The Budget Speech reflects therefore the values of the State in terms of the budget allocation and it seeks to bring the people to recognise the reasoning, values and the *ethos* which is behind the raw tabular data.
The goal of epideictic speech is to strengthen the consensus around particular ideals, values or plans of action (Perelman 1982: 20). The epideictic address does not merely focus on the artistry of the speaker, but is integral to shaping reality through showing the audience what is praiseworthy or not. Perelman believes that:

...the epideictic genre is central to discourse because its role is to intensify adherence to values, adherence without which discourses that aim at provoking action cannot find the lever to move or to inspire their listeners (1982: 19).

The Budget Speeches fall into the category of epideictic speech, because it aims to bring about a common agreement amongst the audience to adopt the particular budget because it is good, because it is praised by the Minister of Finance in his speech, and so made worthy in the minds of the audience.

There are also elements of the deliberative speech in epideictic speeches. Corbett (1990: 139) believes that ceremonial (epideictic) discourse sometimes shades off into deliberative discourse, and sometimes into judicial discourse (Corbett 1990: 139). In the case of the Budget Speeches, the Minister of Finance seeks to justify and give reasons for the way that the budget has been structured and the political motivations behind it. Deliberative speech is argumentative and it is not apparent in the case of the Budget Speeches which are more identifiable as Epideictic speech. We can say that the epideictic speech characterise the Budget Speeches, as they are not designed to argue with the audience, but to present a vision, a consensus. Perelman and Olbrechts-Tyteca (1969:27) say that the epideictic also has an element of the argumentative or deliberative speech because it is not just a ceremony that is being performed, but people are being asked to engage with the ideas present in the speech.

Ceremonial discourses are also exemplified in holiday speeches, funeral orations, graduation speeches, obituaries, letters of reference, and the introduction of a speaker (Corbett 1990: 139). In these works it is often the case that the orator praises the day,
the idea, and particular path of action or a person. In this case, the Budget Speech delivered by the Minister of Finance is wholly dedicated to establishing the nation’s ethos, and promoting the soundness of the proposed budget. The epideictic speech is used because it will create a positive view of the budget, and aims to encourage the audience to think favourably of about it:

... Epideictic oratory has significance and importance for argumentation because it strengthens the disposition toward action by increasing adherence to the values it lauds ... [The orator] tries to establish a sense of communion centered around particular values recognised by the audience (Perelman and Olbrechts-Tyteca 1969:50-51).

The Minister of Finance wishes to “increase the adherence” of his audience to the budget that he will be tabling. Through the Budget Speech, the Minister of Finance directs his audience towards acceptance of the ideas of the speech as praiseworthy, and reasonable. But in the speech, the Minister of Finance also aims to mirror the values and aspirations of the audience so that it will be easier for them to accept his proposed budget.

The encomium (praise for a particular person) and vituperation (the blaming of a particular person) are specific forms of epideictic speech. The Budget Speech could just be taken as an opportunity for the Minister of Finance to speak about the bare economic and accounting facts, but he takes the opportunity to say more. The Budget Speech then becomes an encomium of the budget by praising it as a vehicle for the ideals and the vision that the Finance Minister has for the country in his capacity as a representative of the ruling party and of the state.

Aristotle also says that we should seriously consider the audience we address in an epideictic speech (Aristotle, Rhetoric, 1367b), since not everyone will consider the same thing or idea to be praiseworthy or not. What is selected for praise and blame is
highly dependent on the audience. For example, a speaker should steer clear of praising the conveniences of modern technology when addressing the Amish. In the Budget Speeches, it is in every citizen's interest that tax defaulters are blamed and are deemed unworthy citizens, and this is mentioned as a concern in both the 1985 and 2002 speeches. And it is also in every citizen's interest when the Minister of Finance exhorts the people to work together to bring about a better and prosperous future, as happens in the 2002 Budget Speech.

Epideictic speech is ceremonial, and is not merely a spectacle, but is a genuine means of persuasion by directing the audience to think about an issue in terms of praise and blame. In the epideictic speeches in this thesis, the orators (the Ministers of Finance) focus on the virtues and values of South Africans in order to convince the audience to adopt the particular budget, not only in law, but also in their hearts. The Budget Speeches are not argumentative, but are used to unify the nation around the government's vision.

**Dispositio – Arrangement**

In order to put their message across effectively, speakers have to arrange their material "with the keenest discretion" in order to strategically strengthen their material (Corbett 1990: 278). The speaker's guide to the choice of arrangement is: the type of discourse (whether deliberative, judicial, or epideictic), the nature of their subject, their own ethos, and the nature of the audience (Corbett 1990: 279). Thus again we see that the art of rhetoric is the relationship between the speaker, the audience and the text (in terms of discourse and subject).

Quintillian (in his *Institutio Oratoria*, Book VII, chapter X) says that Dispositio is concerned with questions about the introduction (whether it is necessary, and when it can be shortened or left out), the statement of facts (whether it should be a section on its own or whether it can be interspersed with other material), the proof of the case
(when it can be dealt with first or last, and whether to present strong or weak arguments first or last), discrediting the opposition (whether we can refute the opposition once off, or if we have to refute each argument individually), and the conclusion. Other considerations include how to appeal to the audience using the *ethos* of the speaker, how to move from readily acceptable arguments that the speaker would like to induce the audience to accept, and what sort of evidence to use and when (Corbett 1990: 281).

One does not expect all speeches to have all the parts of the classical arrangement, but it is important to examine the parts one would expect to find in an ideal arrangement of any speech. They are according to Corbett (1990:281): *Exordium* (the introductory remarks), *Narratio* (statement of facts), *Divisio* (division), *Confirmatio* (proof), *Confutatio* (refutation), and *Peroratio* (concluding remarks). And they are all rhetorically significant, whether they appear or not. Aristotle says:

> These are the essential features of a speech; and it cannot in any case have more than Introduction, Statement, Argument, and Epilogue. "Refutation of the Opponent" is part of the arguments: so is "Comparison" of the opponent's case with your own, for that process is a magnifying of your own case and therefore a part of the arguments, since one who does this proves something. The Introduction does nothing like this; nor does the Epilogue -- it merely reminds us of what has been said already (*Rhetoric*, Book 3, chapter 13, 1414b).

Even though a speech without an introduction or ending might seem not to be anchored, and a badly placed refutation can be detrimental to the speaker’s effort, it is not necessary for the ideal *dispositio* to be present. The arrangement of the speech is critical to how the audience perceives the speech and reacts to it, and often it is the case that the arrangement of the speech is the factor that ultimately wins over the audience. Each audience requires the arrangement of the speech to be specifically designed for them:
If argumentation is essentially adaptation to the audience, in choosing the order in which arguments are to be presented in persuasive discourse, account should be taken of all the factors capable of furthering acceptance of the arguments by the hearers (Perelman and Olbrechts-Tyteca 1969: 491).

Furthermore, there are 3 basic points of order that can affect the audience: the rhetorical situation, changes of attitude resulting from the speech and reactions to the speech at the end of its delivery (Perelman and Olbrechts-Tyteca 1969: 491). Hence the rhetorical situation is important to understand because we need to know who the audience is before we can analyse the rationale behind the arrangement (this applies for the discovery and style of the speech as well). For example, it would be highly unlikely that the 1985 Budget Speech would have ended with a quote from a leader from a banned political party, whereas the 2002 speech does, because that particular leader (Albert Luthuli) is seen as a founding father of the post-1994 South African nation. This is because in 1985, Luthuli was a banned enemy of the state, but in 2002 he has become a hero and his writing has become a foundation for the new government.

Perelman says that there is not any one particular winning way in which to set out a speech, every paragraph and every sentence and argument's place will depend on the speaker's knowledge of the audience and projecting how they will receive it:

We must not forget that the audience, to the degree that speech is effective, changes with its unfolding development. ... what persuades one audience does not convince another, the effort of adaptation must always be taken up anew. Is there an unchangeable order, independent of the audience? (Perelman 1982: 149).
It seems that a speech’s arrangement is open to some interpretation, and so can be creatively used to further the speaker’s persuasive goals. The study of arrangement of speeches is to find the means for harmonising the messages and arguments of the speech. This is another way in which the speech can be tailored to the audience because the arrangement of one’s material is not an indifferent matter since it could make a big difference to the audience’s perception of the argument (Corbett 1990: 281). Even though there are no rigid rules for setting out the speech, from the audience’s view there needs to be a coherence to the speech as a whole. Quintillian says that,

> It is not enough merely to arrange the various parts: each several part has its own internal economy, according to which one thought will come first, another second, another third, while we must struggle not merely to place these thoughts in their proper order, but to link them together and give them such cohesion that there will be no trace of any suture: they must form a body, not a congeries of limbs. This end will be attained if we note what best suits each position, and take care that the words which we place together are such as will not clash, but will mutually harmonise (*Institutio Oratoria*, 7.10).

What usually comes first in a speech is the introduction. There are five types of introduction which: arouses curiosity in the audience, creates a paradox in order to interest the audience, corrects the audience, set the boundaries and limits or the speech, or the speaker may relate a story and in this way proceed to explain or define concepts. These types of introduction are respectively known as the Inquisitive, Paradoxical, Corrective, Preparatory, and Narrative. Corbett uses Richard Whately’s descriptions of the types of introduction:

*Introduction Inquisitive* – to show that our subject is important, curious, or interesting.
Introduction Paradoxical – to show that although the points we are trying to establish seem improbable, they must after all be admitted.

Introduction Corrective – to show that our subject has been neglected, misunderstood or misrepresented.

Introduction Preparatory – to explain an unusual mode of developing our subject; or to forestall some misconception of our purpose; or to apologise for some deficiencies.

Introduction Narrative – to rouse interest in our subject by adopting the anecdotal lead-in.

(Corbett 1990: 283, 284, 285 and 286 respectively)

In the introduction, the speaker usually ingratiates herself with the audience and creates common ground, and so produces a favourable atmosphere for the delivery of the rest of the speech. The orator should not arouse hostility at this point:

What we have been saying about the content and strategy of the introduction adds up to this: the introduction seeks to render the audience attentive, benevolent – that is, well-disposed toward the writer and his or her cause, and docile – that is, ready to be instructed or persuaded ... If we see that there is no need to render our audience attentive, benevolent, and docile, our introduction can be very brief – a few ingratiating flourishes and a brief statement of the thesis. But if the occasion demands that the audience be “conditioned,” then our introduction may have to be more elaborate (Corbett 1990: 289).

At the beginning of all of the Budget Speeches one does not expect a polemic attack. What we see in the introductory statements of the Budget Speeches are thanks to those who assisted the Ministers of Finance in producing the budget and the speech (from the president and the economists to the common people in the audience) and there are also quotes from an authority, which aim to bring about a positive feeling about the budget and even the country, heightening the mood of the audience.
Perelman also focuses on the need for the speaker to pay attention to the arrangement of the text (Perelman 1986: 809). He asks the following question:

Is there an unchangeable order, independent of the audience? It is to a similar inquiry that they devoted who, on the one hand, extol a natural or rational order and, on the other hand, see in a speech only a work of art. In both cases they seek an objective order, determined by scientific or aesthetic considerations (Perelman 1982: 149).

The basic function of the Introduction (exordium) is to lead the audience into the speech. One cannot start a speech in the middle because this would confuse the listener. The speaker needs to ease the audience into the body of the speech, by creating common ground and specifically focussing the audience’s attention in the direction that he or she will be taking them (Corbett 1990: 282). This is so that the audience will be kept informed and interested in the speech, and also to make the audience well-disposed to the speaker, so that they will be willing to pay attention to the speaker (Corbett 1990: 283). If the audience is favourable, then the introduction can be shortened. In the case of the Budget Speeches, the introduction is always present and often long enough for the Minister of Finance to create a positive platform from which to showcase the budget.

In the introduction, the speaker also has to use the appeal of her ethos to show that she is qualified to speak, to counteract prejudices or misconceptions about herself or her subject, or she must rouse hostility to her opposition’s view (Corbett 1990: 287), even if it is better to arouse hostility in the conclusion.

This Statement of Fact (Narratio) is most often used in judicial or forensic rhetoric where the prosecutor sets out the indictment and the defence clarifies and makes necessary additions (Corbett 1990: 293). Narratio features in deliberative and ceremonial oratory when the speaker wishes “to recite past events as a basis for
recommendations for the future (Corbett 1990: 294).” If it is important for the audience to know about the subject or course of events, or summary of the state of affairs then a narratio is required. It should be lucid, plausible, and if the occasion allows, the facts may be related in a vivid or imaginative way, using enargeia, to engage the audience’s understanding and imagination (Corbett 1990: 297). Sometimes it might not be in the speaker’s interest to set the facts out clearly, and there might even be the need for obfuscation (Corbett 1990: 299):

We can further enhance the credibility of our statement of fact by being careful not to say anything contrary to nature or to historical fact, by assigning believable cause or reasons for events, by trusting more to understatement than to hyperbole. An audience is amazingly quick to detect that a writer “doth protest too much”. If we alienate the credence of our readers at this stage of the discourse, we jeopardise our chances of holding them when we come to the all-important stage of proof (Corbett 1990: 299).

The statement of fact is an exposition, whether long or short, and here the speaker can inform or remind the audience; it is often used in forensic oratory (Corbett 1990: 293). It is a place where the speaker can create a vivid picture of events, build up reasoning and credibility or paint scenarios for the audience, however:

A severe abridgement of the exposition could result in obscurity. On the other hand, an excessive elaboration could so clutter up the exposition that the main points are obscured. …[But] there may be occasions when it is expedient for us deliberately to obfuscate the exposition (Corbett 1990: 298 - 299).

The Proof of the Case (confirmatio) where the speaker states his or her case. The main problem here is that of sequencing, for example, where to place weaker and stronger arguments and refutations and how to establish the case (Corbett 1990: 301).
Usually one would want to end off with the strongest arguments as these will remain for longer in the audience’s minds:

If we have available to us a number of relatively strong and weak arguments, we might find it best to start out with a strong argument, then slip in some of the weaker arguments, and then end up with the strongest argument. The initial strong argument conditions the audience to receive the weaker arguments; but then, just when the weaker arguments threaten to diminish the effectiveness of our opening argument, we come in with our strongest argument. The surprise that attends the introduction of a strong argument just when it seemed that we had “shot our bolt” will enhance the cogency of the final argument (Corbett 1990: 301).

Aristotle says that refutation consists of “positive proof or in raising an objection (Rhetoric, book 2, chapter 26)” The choice to state one’s own facts first and then move to refute one’s opponent could also damage the effectiveness of the speech and the effective speaker will make this judgement call to her advantage when compiling the speech. There are 4 ways in which one can refute an opponent’s argument: by appeal to reason, emotional appeal, ethical appeal, and wit (whether joke or sarcasm).

If there is an opposing view that the speaker must make sure that the audience does not accept, then there should be a section in the arrangement of the speech for a refutation of the opponent’s views:

If the opposing views have been well received by the audience, it is usually advisable that we refute those views before we attempt to present our own arguments. People who are favourably disposed to the opposite point of view will not readily open their minds to our arguments, however valid and cogent they may be. The ground must be cleared, as it were, before we can parade our support (Corbett 1990: 302).
When an audience has seen how their view or a prior speaker’s view is flawed or in any way unacceptable, then they will be receptive to the new idea or view that the present speaker wishes to advocate. At particular instances, especially if the opposition’s arguments are weaker, the speaker might want to delay the section or refutation until after they have stated their own case (Corbett 1990: 302). At other times the speaker might not wish to officially remind the audience of the popular opposition view so that they might consider the present speaker’s case only (Corbett 1990: 302).

There are four types of refutation, by an appeal to reason, emotional appeals, ethical appeal and by wit. The refutation by the appeal to reason is the refutation of a proposition through logical means. This can be done by showing that the principle cannot both be and not be the case (Corbett 1990: 302). The refutation by the appeal to logic also can be made by making the case for a particular proposition’s premises weaker or objecting to the conclusion drawn from the given premises (Corbett 1990: 303).

Refutation by emotional appeal will best be applied when the audience is relatively large and heterogeneous, but even then the speaker has to calculate carefully (Corbett 1990: 303). Sometimes the speaker wants to draw some parts of the audience closer while alienating others, especially if the latter are in the minority. Once again it is the case of the speaker’s risk-taking and knowledge of his or her audience that will show the way towards and emotional appeal.

The refutation by ethical appeal must be present throughout the speech. The honesty and integrity of the speaker will be appreciated by any audience more than superb logical reasoning (Aristotle in Rhetoric, Book 3; Kennedy 1991: 17; Corbett 1990: 304). Corbett says that at the times when our case is weak, then an ethical appeal will often be most persuasive (Corbett 1990: 304).
A refutation by wit must be used with great discretion. Often humour may be discredited by wit and wit in turn destroys any gains made by a serious speaker:

But the joke can also be used for purposes of refutation if it provides some kind of analogy to the point we are seeking to discredit. The analogous joke can induce an audience to take an objective view of the point being discussed. If we can get an audience laughing at a situation somewhat removed from the point being attacked, we will find it easier to make the audience perceive the absurdity when we make an application of the analogy (Corbett 1990: 305).

The conclusion is not a place to restate the exposition, but can be used to recapitulate on the major focuses of the text. Generally the conclusions should inspire the audience, amplify the opinions made in the course of the speech, rouse the appropriate emotions, and produce a brief summary of the arguments (Corbett 1990: 308):

Aristotle taught that generally we strive to do four things in the conclusion:

1. to inspire the audience with a favourable opinion of ourselves and an unfavourable opinion of our opponents.
2. to amplify the force of the points we have made in the previous section and to extenuate the force of the points made by the opposition.
3. To rouse the appropriate emotions in the audience.
4. to restate in a summary way our facts and arguments.

(Corbett 1990:309)

For example, at the end of the 1985, 1994 and 2002 Budget Speeches, the speaker ends with an emotional exhortation to the audience to work together and to continue striving for a better South Africa. These will be the last words spoke and will have some primacy in the audiences mind.
In the following chapters I will show how, in the Budget Speeches, the introduction and conclusion are the most important parts of speech and it is there that the epideictic nuances are mainly developed by the speaker.

_Elocutio – Style_

Perelman speaks about the traditional figures of rhetoric (for example, the metaphor and simile) as abridged arguments (Perelman 1986: 809). Traditionally the figures of speech are seen as ornamentation, but the New Rhetoric views them as integral parts of the speech; they are means of persuasion in and of themselves. For example, Wayne Booth explains that a lawyer’s use of a fishing metaphor was so right for his particular audience who resented being likened to “little catfish” that he won the argument, and he won it solely because of the metaphor that was appropriate for the audience.

Style is not simply ornamentation, but is an integral part of the thought processes of the speaker and the way that the audience will perceive the arguments presented to them:

Style provides a vehicle for thought, and style can be ornamental; but style is something more than that. It is another of the “available means of persuasion,” another of the means of arousing the appropriate emotional response in the audience, and of the means of establishing the proper ethical image (Corbett 1990: 381).

Therefore, we can define _elocutio_ as the means of persuasion through the use of style, the level at which the language used makes a difference.

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Traditionally, there were three types of style: plain, forcible, and florid (Corbett 1990: 26). The other important facets of style is the arrangement of sentences and the use of figures of speech (tropes and schemes).

It is important to state that the speaker has to communicate using language that is familiar to the audience, and to pitch the text at the right level in order to create common ground with them (Corbett 1990: 389). The use of certain emotive words, or words with particular connotations for the audience are also significant (Corbett 1990: 394). Whether one is precise and economical in one’s use of words and word order or baroque and overly florid in speech all depends on the audience – it is up to the speaker to make that judgement based on the audience and the occasion.

Style can be studied by analysing the speaker’s diction (common words or neologisms), the length of the sentences used, kinds of sentences and their patterns, paragraphing and the use of figures of speech (both schemes, which is wordplay, and tropes which is transference of meanings amongst words and phrases). The analysis of style concerns itself with grammatical and syntactical rules for the language, that is, the types of words used, the length and variety of the sentences and the length, variety and transition amongst paragraphs of the text (Corbett 1990: 404 – 405).

The figures of speech (such as metaphor and simile, and all the tropes) are often rhetorically significant, bringing a new or unique meaning to what was said. Even though the traditional or ancient rhetorical analyst (for example, Aristotle) might consider these figures to be mere ornamentation, “… a modern rhetorician would insist that the figures, like all elements of rhetoric, reflect and determine not only the conceptualising processes of the speaker’s mind but also an audience’s potential response (Perelman 1986: 804).” Therefore, the figures of speech are crucial for New Rhetoricians and form the core of their persuasive tool-kit.
The figures of speech are generally divided into the Schemes and the Tropes. The Schemes can be of words (for example, prosthesis, and syncope), and of construction (for example, parallelism, anastrophe, asyndeton, alliteration, rhetorical questions and antithesis). The Tropes can be metaphors, similes, synecdoche, metonymy, puns, hyperbole, personification, irony, and oxymoron.

Perelman (1979: 18) says that figures like repetition, anaphora, and amplification brings about the feelings of “presence” in the audience. Presence is itself defined by a figure called by hypotyposis or demonstratio which “sets things out in such a way that the matter seems to unfold, and the thing to happen, before our very eyes (Perelman 1979: 17).”

The use of metaphor requires special mention since it features prominently in the 2002 Budget Speech. Classical theories of metaphor usually say the we understand the meaning of the metaphor by means of intuition or substitution. Aristotle says that:

The greatest thing by far is to be a master of metaphor. It is the one things that cannot be learnt from others; and it is also a sign of genius, since a good metaphor implies an intuitive perception of the similarity in dissimilar (Rhetoric 1459a).

Aristotle believes that the metaphor in a speech is for ornamentation only. He states that the a speaker’s understanding of similarity or not can help him or her to use or develop metaphors. Furthermore, Aristotle writes that metaphor is a rhetorical substitute, a group of words that can be paraphrased:

A ‘metaphorical term’ involves the transferred use of a term that properly belongs to something else (Poetics, chapter 21).
Aristotle believes that a metaphor is a only a figure of speech, and does not add anything new to an audience’s understanding. He did though state that metaphor is a powerful tool for argumentation because it allows the audience to vividly see the point that the orator is trying to make. For Aristotle, a metaphor should be translated into its plain or literal meaning in order to be understood. This is contrasted with later theorists (for example, I. A. Richards and Wayne Booth) who say that the two aspects of metaphor cannot be thought of separately.

But Perelman’s theory of metaphor says that a metaphor forms a sub-category of analogy. A metaphor is a description of a situation that is analogous to the literal, and so helps us to understand new or different aspects of reality, which could assist a speaker to persuade his or her audience. Unpacking the meaning of a metaphor relies on the logic of analogy:

... for us, metaphor is only a condensed analogy, due to a fusion of theme and phoros. From the analogy a is to b as c is to d, the metaphor takes one of these forms: a of d, c of b, a is c. From the classical example of analogy, “old age is to life what the evening is to the day”, we derive the metaphors “old age of the day”, “evening of life”, or “old age is an evening” (Perelman 1982: 120).

Perelman makes a distinction between the theme and phoros of a metaphor. For an analogy which is stated as a is to b as c is to d, the theme is a and b, and the phoros is c and d. Perelman explains that metaphor is a condensed analogy because the theme and phoros of the analogy are fused in the metaphor, in the sense that they are shortened forms of the original analogy.

While Aristotle says that in order to understand a metaphor it must be translated into literal language, Perelman states that metaphor must be translated into its original analogy. Therefore, in order to find the meaning of “evening of life”, we must expand the metaphor into its original form which is “old age is to life what the evening is to
the day”. Perelman says that the analogy is a similarity that is use to clarify, structure and evaluate:

Between the pairs a-b (the theme of the analogy) and c-d (the phoros of the analogy), one does not assert an equality that is by definition symmetrical, but a comparison that has as its purpose the clarification, structuring, and evaluation of the theme in terms of what one knows of the phoros. This implies that the phoros comes from a region that is different from that of theme and better known than it (1982: 115).

Perelman believes that well known metaphors are very effective in argumentation because:

… by drawing a conclusion from a habitual manner of expression, the reader does not perceive the expression’s analogous character; the conclusion seems to flow from the nature of things (1982: 122).

The benefit of metaphor is that it takes two aspects of reality and fuses them into a new formulation that helps us to understand reality differently. But, not all metaphors have an image at its core, although the better metaphor has a visual aspect associated with it in order to create a sense of reality and to animate a concept or idea. Metaphor brings about this clarity through a type of reality experience, to give ideas life, which will ultimately persuade the audience.

Note that the figures of speech found in the Budget Speeches are discussed in greater detail in the following chapters.
Conclusion

The very long tradition of Rhetoric provides us with a framework for identifying important aspects of speeches. For the speaker, understanding Rhetoric means that they will have access to a technique for writing and speaking that will hopefully persuade an audience.

The Budget Speeches make full use of Rhetoric, and they lend themselves to rhetorical analysis given their importance in how South African governments communicate their economic and political policies. In the following chapters we consider each speech in greater detail in order to later compare the differences and similarities in how rhetoric is used by successive governments in difference circumstances.
Unravelling the rhetorical situation\(^1\) is very important for any rhetorical analysis. In this chapter I provide a brief overview of the general historical circumstances for the two major historical periods under discussion, the apartheid era from 1948 to 1993 and the post-1994 era.

The pivotal event in South Africa’s past that led to the formation of an apartheid state was the election in 1948 that the National Party won by five seats over the United Party\(^2\). This occurred even though the National party were conservative and dominated by the Afrikaners who made up only about 12 per cent of the population at the time. With this significant election, the Afrikaners in the form of the National Party came into power for the first time in the history of the country and ruled South Africa up until the multi-racial election in 1994.

\(^{1}\) I have provided this chapter, which mainly draws on the history of South Africa as written by Thomas 2001 and Davenport & Saunders 2000, as a broader description of the rhetorical situation of the Budget Speeches.

\(^{2}\) The United party was a unity of The South African Party and the British Party (Thompson 2000: 161).
The National Party (NP) put into place a sweeping set of laws which served to separate all the population groups of South Africa; this system was called “apartheid”. Apartheid literally means “separateness” in Afrikaans and was used to describe the laws that the NP enacted to enforce its policy of “separate development.” The rhetoric of the newly empowered NP government played an important part in presenting a picture to the Western World of apartheid as a process of decolonisation (Thompson 2000: 215), providing a separate place for all the identified race groups to develop themselves socially and economically. The four basic tenets of apartheid were:

First, the population of South Africa comprised four “racial groups” – White, Coloured, Indian and African – each with its own inherent culture. Second, Whites, as the civilised race were entitled to have absolute control over the state. Third, white interests should prevail over black interests; the state was not obliged to provide equal facilities for the subordinate races. Fourth, the white racial group formed a single nation, with Afrikaans- and English-speaking components, while Africans belonged to several, (eventually 10) distinct nations or potential nations – a formula that made the white nation the largest in the country (Thompson 2000: 190).

The two leaders of South Africa that are mainly associated with the gross implementation of apartheid were H. F. Verwoerd (who was the prime minister from 1958 to 1966) and B. J. Vorster (who was the prime minister from 1966 to 1978). Their policy resulted in the political and economic isolation of South Africa because the rest of the world denounced the apartheid policies that were being heavily implemented (Davenport and Saunders 2000: 533). The South African government then presented itself as fighting against perceived communist influences, especially against the organisations like the ANC that had adopted the Freedom Charter which had clauses stating that all South Africans should receive a compulsory income grant
from the government, and share the mineral wealth of the land with all the people, which is consistent with Communist policies of shared wealth (Alden 1996: 31).

In 1961, by another small margin, the National Party transformed South Africa into a republic, severing ties with Great Britain (Thompson 2000: 188). All parts of society were infiltrated and brought under Afrikaner power:

The government meanwhile Afrikanerized every state institution, appointing Afrikaners to senior as well as junior positions in the civil service, army police, and state corporations. Medical and legal professional associations, too, came increasingly under Afrikaner control (Thompson 2000: 188).

During this time, only white people could vote and only white people were thought competent enough to occupy positions of political and economic power. The National Party was determined to create white supremacy in all spheres of life. The socio-economic levels of Afrikaner people rose rapidly. For example, while Afrikaner farmers were given massive state subsidies, black farmers were ousted from their land (Thompson 2000: 189). From this point, apartheid became not just a political stance, but a form of social engineering based on a genetic factor called “race”.

**The Afrikaners and their role in shaping South African society**

Without seeming to be sympathetic to their apartheid cause, it is useful to try to examine some of the historical, social, and religious background of the Afrikaners in order to try to understand their political actions. We can do this first by analysing their religious and political beliefs. In 1975, W. A. de Klerk wrote a justification of apartheid in South Africa. He wrote his defence at the height of the apartheid regime and gives this view of the Afrikaner psyche, from an Afrikaner perspective:
… for an understanding of the Afrikaners of our own time, we need to take note of the essentially different way in which Calvinism developed in its Anglo-Saxon context.

… What transcended their theological differences was their common urge to save the world and build a New Jerusalem (de Klerk 1975: 149-150).

W. A. de Klerk argued that the Afrikaner’s “puritan ethic” was the rationale for social change and order which gave rise to apartheid. According to De Klerk, the Afrikaners were trying to order the world in a particular way – they wanted peace and harmony in a racially segregated society. But, this striving for justice became the basis of injustice (De Klerk 1975: xvi).

According to W. A. De Klerk, the Puritan spirit is revolutionary and rebellious against oppression. He believed that Western culture is shaped by the Puritan work ethic, resulting in the freedom of religious expression in England, and also the Declaration of Independence in the United States of America, and the later foundations of modern philosophy and science stem from the Puritan mind as well because such a mind would deeply question every human law, only granting absolute right to God (De Klerk 1975: 159). They were the pioneers who trekked into the unchartered land to find new opportunities and build a new community. The Puritan expression we have in Africa is in the Afrikaner people who dared to create a society completely structured according to their ideal. During the apartheid era, the Afrikaners were shaping society according to a new formula. Therefore, apartheid became not just another social experiment, but a way of life, or world view based in a religious ideal as well.

Giliomee states that another one of the driving forces in the development of the Afrikaner politics is “their relative economic backwardness” (2003: xv). Their British counterparts were the cultural and business leaders while they were emerging and forming urban settlements as mainly workers and skilled labourers on the lower rungs
of society, often battling poverty (Giliomee 2003: 315). The story of the Afrikaner people at this time can then also be seen to be a battle against poverty and subordination.

_Apartheid Laws_

The apartheid laws which were enacted in South Africa in the 1950s were harsh for people of colour and were often the result of political and legal manoeuvring in order to gain power for the NP and disempower other groups. Coloured voters were systematically targeted and wiped off the voters roll (through the Senate Act of 1956) and so were unable to represent themselves in Parliament (Thompson 2000: 191). Black African people were pushed into the rural, fragmented and isolated areas of South Africa which were called homelands (for example, Transkei, Bophutatswana, Venda, and Ciskei). The people that were moved to their “homelands” were purposefully deprived of their South African citizenship and economic development (Dugard, Haysom and Marcus 1992: 11-12). This meant that the homelands had to survive on hand-outs and subsidies from the South African government. The people in the homelands could not generate enough jobs and therefore became migrant workers in the developed urban and industrial areas of South Africa, in the mining towns of the area then known as the Transvaal (that area now falls in the province of Gauteng), and also in the growing city of Cape Town. The South African government created the independent homelands so that South African citizens who were forcibly relocated there, once the homeland had become independent from South Africa, would lose their South African citizenship. This was done in order to create “an actual white majority” in South Africa (Saunders and Davenport 2000: 479).

But, black people that had a “pass” were not allowed out of their homelands unless they were required by whites as labourers and semi-skilled workers. Black African people were also required to carry a “pass”, a legal document that ensured their safe passage into white urban areas. If they did not carry a valid pass, they could be
arrested by the police. This meant that a stylised “migrant” labour force was the mainstream form of unskilled labour in South Africa. And this was one of the major reasons for the downfall of family and community life in the rural areas, and the development of short-term slum living areas on the outskirts of the major towns and cities:

Underlying the policy of urban segregation was a desire to reduce the power of the black man in the urban areas by making it difficult for him to acquire a stake in the town or, indeed, in his own location, for – as the Stallard Commission emphasised – owners of property could hardly be denied the municipal vote. … An amendment of the Black Communities Development Act in 1986 eventually permitted the purchase by blacks of urban properties in freehold (Davenport and Saunders 2000: 649 - 650).

There were mass demonstrations against the pass laws. For example, The Federation of South African women demonstrated on 9 August 1956, when 20 000 African women protested in front of Parliament. And the PAC launched a campaign against pass laws in 1960. These demonstrations invited strong and violent police reaction. Eventually, when the violence had risen to a high point, the government declared a state of emergency and banned both the ANC and PAC (Thompson 2000: 210). The pass laws, in its legal form as the Urban Areas Act, was only repealed in 1986 (Davenport and Saunders 2000: 511).

In 1982, the government tried to control the movement of black people from the homelands into South Africa by tabling the Orderly Movement and Settlement of Black Persons Bill. But the government was also concerned about urban renewal in township areas (Davenport and Saunders 2000: 463) and providing electrification and services to the township areas. However, there was little finance available for the townships to call on because their revenue came out of a different fund to other areas (Davenport and Saunders 2000: 464):
... but the ruling party could not bring itself to consider the most straightforward way of solving the problem in economic terms – the amalgamation of black and white local authorities in a joint political system – because its electorate found such a solution politically unacceptable (Davenport and Saunders 2000: 464).

It was only with the Regional Service Act of 1985 that townships could start diverting some of the revenue they generated back into their own area.

Controlling the education of black people was especially important for the Nationalist government. There were separate educational systems and matriculation exams for the different ethnical groups, with a strong priority for the whites thus affecting severely the level of education for the blacks. It seemed that Africans, Coloureds and Indians were educated to become second class citizens because much less was spent on an Indian or Coloured child’s education, and the least was spent on a Black child’s education. Further and tertiary education was also barred from Coloured, African and Indian students unless approved by a cabinet minister (Thompson 2000: 197).

**Forced Removals**

Areas were legally zoned for exclusive use by one of the particular race groups:

Group areas restrictions applied not merely to ownership and occupation of domestic and business premises, but also to the provision of amenities for entertainment and access to pleasure resorts like parks and beaches, for the Strijdom and Verwoerd governments, in particular, were keen to promote customary separation even in these spheres (Davenport and Saunders 2000: 668).

Under the Group Areas Act, Coloured and Indian people were forcibly relocated to new townships on the outskirts of the cities. The forced removals of Black people
from Sophiatown and the Coloured people from District 6, are noteworthy episodes of the apartheid government's destruction of culturally vibrant areas as a result of their "group areas" policy. Designated Coloured township areas in Cape Town were, for example, Mitchell's Plain, Grassy Park and Atlantis, and the black townships were, for example, Langa, Gugulethu and Nyanga. Crossroads was a growing informal settlement in the early 1980s, and was destroyed by security police in a government attempt to force them out. The government also used the fears of already settled Black people to cause animosity amongst newly arrived Black people who were putting pressure on the location. This is an account that illustrates the anarchy and division that forced removals caused in the townships of Cape Town in the mid-1980s:

But the Crossroads problem did not stand still. More immigrants arrived in the area and settled in the surrounding bush, fired with a determination to stay, notably a group which squatted without permissions in the KTC Bazaar are adjacent to New Crossroads. But residents of Crossroads proper, led by Johnson Ngxobongwana [a black man], resented an intrusion which appeared to cut across government plans for their own community development... The state meanwhile resolved its dilemma by enlisting the support of Ngxobongwana, whose dictatorial landlordism played into their hands, by encouraging his private army of Crossroads followers... to attack and destroy the KTC settlement, in the expectation of remaining at Crossroads themselves. This was achieved, with brutal violence and police support, during May and June 1986... (Davenport and Saunders 2000: 468).

Forced removals throughout South Africa were not very well planned. There was often no infrastructure or opportunity in the areas to which the people had been moved. Overpopulation and lack of access to industry or lack of viable opportunity forced people into hardship and poverty. In the places to which people were removed, "unemployment was high, diet insufficient, and the provision of schools, clinics, and
shops generally inadequate (Saunders and Davenport 2000: 471). In this way we can see that there was no “separate development” in the homelands and township areas.

These removals and the economic activities resulted in the major cities in South Africa being surrounded by township areas, however, the black people living in the townships were not considered residents of the city (Thompson 2000: 195). Instead, the people of colour were exploited as cheap labour and so the economic divide between Whites and Blacks grew, with many black people being unemployed.

Apartheid was not just a social view. Apartheid was meticulously and methodically entrenched in the laws of South Africa. From the mid-1950s new apartheid laws were regularly put into place:

The catalogue includes [the Suppression of Communism Act in 1950], the Riotous Assemblies Act (1956), the Unlawful Organisations Act (1966), the Sabotage Act (1962), the General Law Amendment Act (1966), the Terrorism Act (1967), and the Internal Security Act (1976). … There were also laws giving the government special powers over Africans, such as the Bantu Laws Amendment Act (1964), which empowered the government to expel any African from any of the towns or the white farming areas at any time. The Public Safety Act (1953) included a provision that empowered the government to declare a state of emergency in any or every part of the country and to rule by proclamation, if it considered that the safety of the public or the maintenance of public order was seriously threatened and that the ordinary law was inadequate to preserve it (Thompson 2000: 199).

Some of the other Acts (as listed in Oakes 1995:368) that were passed included: the Prohibition of Mixed Marriages Act (1949), the Population Registration Act (1950), the Immorality Act (1950), and the Group Areas Act (1950), the Prevention of Illegal Squatting Act (1951), the Reservation of Separate Amenities Act (1953), the Bantu
Education Act (1953), the Bantu Authorities Act (1953), and the Homeland Citizenship Act (1971).

**The Struggle, Protest, and Riots**

From 1952, the United Nations passed resolutions that condemned apartheid, declaring it to be a “crime against humanity” (Thompson 2000: 214). There was world-wide reaction against apartheid. While the other three designated race groups were suffering, the Afrikaner people were also leading lives in a small and closed world, speaking Afrikaans, receiving state censored media, and experiencing nothing but the Nationalist Party world perspective in their daily life (Thompson 2000: 198). This resulted in a highly oppressive regime for all sides.

In 1960, the ANC and PAC changed strategy from peaceful protest to the armed struggle (Thompson 2000: 211). They felt that the government had only responded to their political appeals with more repressive legislation and a sinister police force. Nelson Mandela was arrested and put on trial and had gone to jail serving a life sentence on Robben Island in 1964. Black people also made their protesting voices heard in the arts and media. Thus, South Africa developed a “protest culture” from the late 1970s, and a vigorous resistance to the state was developing from all people, but especially the Coloured and Black youth. The United Democratic Front, founded in August 1983 by community leaders including Trevor Manuel (the current Minister of Finance), made a home for the opposition to apartheid (Thompson 2000: 228 – 229). In those years there was widespread violence, boycotts and turmoil. But, the ANC during the mid-1980s stepped up their military campaign:

The launching of the ANC’s newly redirected political and military campaign soon provided tangible results. Overall, incidents of sabotage and armed attacks rose steadily, from thirteen in 1978 to fifty-six in 1983. The most dramatic act of sabotage conducted by the revitalised ANC was the destruction of SASOL
(South Africa’s national synfuel programme) storage tanks on 1 June 1980, causing an estimated R58 million worth of damage (Alden 1996: 93)

But the other side of resistance to the government’s racist policies was from the church, the most prominent figures being the Anglican Archbishop Desmond Tutu and Beyers Naude as the general secretary of the South African Council of Churches (Thompson 2000: 239). Then the military and police were still controlling the townships on the outskirts of major cities. They were allowed to detain people without having to inform their families or lawyers (Thompson 2000: 228).

During this time, Black students became increasingly dissatisfied with their educational conditions and developed their own student-run political organisations. One of the student leaders was Steve Biko who founded the South African Students Organisation (SASO); he was tortured and murdered by security police in 1977.

The most famous incident that was a turning point in the history of South Africa were the Soweto riots of 1976, especially the riot of 16 June where black students protested against having Afrikaans\(^3\) as their medium of instruction (Alden 1996: 239). When the government wanted to enforce a new law that half of all students’ subjects should be taught in Afrikaans, school pupils revolted on 16 June 1976. On that day the police shot Hector Peterson, a 13-year-old student. During this time the police force went on a rampage and massacred 575 people, mostly Africans. SASO was banned and black leaders were jailed (Thompson 2000: 213). The arms struggle was increased and young black South Africans were trained to fight against the South African government in a guerrilla war.

Even though the media was suppressed, the images, of constant unrest and violent riots that often turned into low level civil war, that were broadcast world-wide, were

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\(^3\) Afrikaans was seen to be the language of the oppressor, even though it is a first language for a majority of the Coloured people.
shocking. The opinion that the international community had of apartheid and the NP government changed to disgust to the point that the “U.S. Congress adopted the Comprehensive Anti-Apartheid Act, which contained important though limited sanctions against South Africa (Dugard, Haysom and Marcus 1992: 25)”.

**The Botha Administration**

In 1978, P. W. Botha was voted into the position of Prime Minister. He was previously the Minister of Defence and gave the South African State Security Council a more powerful say in the way the country was run (Thompson 2000: 224). South Africa from 1978, when Botha became Prime Minister, was becoming a prosperous country mainly because of the high gold price, even if it was politically in turmoil. The Treasury adopted a conservative monetary policy (Davenport and Saunders 2000: 460), because even though the treasury income was better, the prediction of income was difficult.

The Botha administration was under immense international and internal pressure to get rid of the gross forms of apartheid without sacrificing any part of the white supremacy that the Prime Minister wished to uphold. His efforts included the following:

...efforts to neutralize South Africa’s neighbours, to scrap apartheid symbols and practices that were not essential to the maintenance of white supremacy, to draw English-speaking citizens into the party, to win the cooperation of big business, to intensify the ethnic and class cleavages among the subject peoples, and to suppress domestic dissidents (Thompson 2000: 224).

P.W. Botha’s economic policy was to see the separate and even development of a constellation of Southern African states, that is to say, South Africa with it’s satellite homelands (Davenport and Saunders 2000: 465). However, while this vision was
possible on paper, it was not well implemented, and resulted in an “expansive and expensive” government administration.

Botha’s administration repealed most of the overt signs of apartheid like bans on multiracial political parties and job reservation (when certain categories of jobs were reserved for whites only). The administration sought to promote the development of a middle class amongst Coloureds, Indians and Africans; it was the first time the government offered a political voice to the other races (Davenport and Saunders 2000: 497).

As a result of their parties winning the elections in 1984 (it has to be emphasised that this was not without enormous mass protest and police interference), and even though they were ministers without portfolios, Allan Hendrickse and Amichand Rajbansi became the first Coloured and Indian (respectively) members of the central cabinet (Davenport and Saunders 2000: 504). And this new tricameral parliament met for the first time in 1985.

Some of the other sweeping changes Botha made to the constitution of South Africa were: the creation of a tricameral party system where Whites, Indians and Coloureds could elect some representatives to Parliament, with white representatives being in the majority by design (Thompson 2000: 225). The Whites had control over the whole of Parliament, but the different race groups were cosmetically designated to The House of Assembly for Whites, the Coloureds occupied seats in the House of Representatives, and Indians held seats in the House of Delegates; however, the

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4 My own expression, as far as I know.
5 That is one of the reasons why the Budget speech of 1985 has such importance, because it is a reflection of the state’s first attempt to include the other races into the political structures of South Africa.
affairs of Black people were solely in the hands of the Prime Minister (Davenport and Saunders 2000: 502).

The Prime Minister, now in the form of the State President, could dissolve Parliament at any time:

The upshot [of the tricameral system] had been a set of proposals designed to co-opt the Coloured and Indian communities into the White political system, through the device of three separate Parliaments under a single executive presidency, in such a way that effective power would remain in the hands of whites (Davenport and Saunders 2000: 496).

The administration of P. W Both was characterised by the policy of “total onslaught”. This was to ensure that South Africa was held under the sway of the Defence Force, and was thus always prepared for war or already waging war:

The total strategy became the conceptual vehicle for the rapid expansion of the military’s role in all spheres of government and the private sector during the Botha era. The strategy called for an integrated and co-ordinated approach to all aspects of political, economic and social life in order to combat the “total onslaught” being waged against South Africa – both internally and externally – by the Soviet Union and other hostile forces. General Magnus Malan, the strategy’s chief advocate, often stated that the defense of South Africa was 80 percent political and only 20 percent military (Dugard 1992: 57).

Botha also centralised all functions of the government, and all major decisions had to come via his office (Davenport and Saunders 2000: 459). The State Security Council had wide powers and could circumvent the cabinet and reported directly to the State
President. The personality of P. W. Botha was strong and even though known as a reformer of apartheid, he was better known by his nickname, “Groot Krokodil”\textsuperscript{6}.

\textit{Removing Apartheid}

In retrospect, the sanctions against South Africa played a small part in the entire set of circumstances that lead to the failure of apartheid and the change in regime – the cost of the military and the huge administrative costs of apartheid were the deciding factors for change (Davenport and Saunders 2000: 539). Also, a change in consciousness of the Afrikaner, especially with the Church denouncing apartheid, saying that it was not in keeping with Christianity, resulted in a change of mindset and worldview amongst Afrikaners, especially in the case of F. W. de Klerk who had been charged to take the Afrikaners through the last phase in their political domination of the country in the early 1990s (Thompson 2000: 246).

Even though there were growing anti-apartheid lobby groups in both Britain, the USA, and other countries, the media also played an integral part, but the South African government suppressed reporting of violence in the townships from November 1985 (Thompson 2000: 233). In September of 1985, The USA imposed limited sanctions on South Africa including an arms embargo:

The [South African] government’s problems were compounded by a deteriorating economic situation, engendered in large part by the political uncertainty and the withdrawal of foreign investment. … Between July 20, 1985, and March 7, 1986, the government applied a state of emergency in many parts of the country (Thompson 2000: 234-235).

\textsuperscript{6} This is an Afrikaans phrase translated as “Great Crocodile”, meaning a person who is tough, fierce and unpredictable.
South Africa was in a state of what could have been called a low level civil war. A “state of emergency” was imposed on the whole of the country from mid-1986 and this allowed security forces almost unlimited powers of arrest and detention, and to ban meetings. In the following years, many black adults and children were detained and died in police custody. This attempt at trying to control the situation had become a form of tyranny. With an increase in military spending in South Africa and in attacks against its African neighbours South Africa’s economy went into a downward spiral.

The Botha administration also gave rights to the trade unions to be active, and trying to control them failed because they became popular forms of militant organisations. But workers belonging to trade unions vehemently resisted government policies. In the early 1980s The Botha Administration had given some concession to the trade unions, in order to control them from within the system:

Concurrently, the African trade unions had managed to double their membership between 1981 and 1985, and were able to successfully build a solid labour structure across industries and the country as a whole. The ability of the Federation of South African Trade Unions (Fosatu), the super-union formed in 1979, and other trade unions to mobilise over 100 000 workers in two short days to protest the death in detention of labour activist Neil Aggett in 1982 spoke to the level of sophistication the African trade union movement had achieved in the span of three years (Alden 1996: 122).

But, at that time there were many unions, not a central union, and often they were divided along plant or race lines. And often, the early intervention by police “in a dispute could disrupt rhythms of collective bargaining”, and unregistered trade unions also did not know the limits of their power (Saunders and Davenport 2000: 492). There were many confrontations between workers and industry and also workers and
the state which was more violent. Later on, the Congress of South African Trade Unions formed as a more united force:

COSATU in fact had numerous confrontations with the police, in the course of which its headquarters in Johannesburg were destroyed by security police in May 1987, in what was recognised to be a very professional demolition job (Saunders and Davenport 2000: 493).

In the 1980s, a mix of school boycotts, trade union strikes and ANC organised activities provided the resistance to the Nationalist State. School boycotts in 1980 caused a serious disruption in the school system since almost no learning happened (Saunders and Davenport 2000: 489). And throughout the times that school pupils were involved in resistance activities, their education suffered. Some school pupils were detained and taught in prison by dedicated teachers:

Further class boycotts occurred in 1984, notably at Cradock, following the dismissal of a local teacher and community leader, Matthew Goniwe, who had refused transfer and was later to lose his life at the hands of state assassins in July 1985, after the local African community had come out strongly in his support. The school boycott movement also became linked with demonstrations against the new constitution in August and September 1984, and these became particularly active, provoking police counter-violence... The use of troops acting in a police role showed how serious the situation had become (Saunders and Davenport 2000: 490).

The violence and atrocities committed in townships during the state of emergency were horrific, but the state's ploy finally worked by squashing and intimidating protestors, and squashing the UDF out of existence. But it also destroyed the little administration that the townships had (Davenport and Saunders 2000: 510). It was in this turmoil that most people had realised that separate development had been a
costly exercise, not only in terms of administrative duplication but now also in terms of large numbers of human lives that had been destroyed.

In the mid to late 1980s, in the province of Natal (now known as Kwa-Zulu Natal), there were particular hot spots and points of violence and unrest. Whether the state encouraged this or not is not clear because of the limits on information under a state of emergency (Saunders and Davenport 2000: 487). But these areas broke out in violence under stress of natural disaster and over-population.

By 1978, with the decline of the economy, mass emigration of white professionals, lower population percentage, and the increase in poverty amongst whites, apartheid began to fall into crisis (Thompson 2000: 223). African and Coloured young people became increasingly critical and defiant of the state. The Civil Rights movement in the USA had changed the basic tenets of that society, and the world was fast moving ahead into a non-racial order. South Africa on the other hand, had a barrage of racist laws and a big machinery to bolster the system – it was falling behind in political and social practices (Thompson 2000: 223). It was also becoming more expensive to run the homelands and the laws of apartheid were costing great amounts of money to implement.

By the late 1970s, Afrikaners had become more prosperous and urban, and were concerned about foreign criticism. The National Party was now losing control under the strain from its members pulling in different directions, those wishing to continue with the old ways, and those wishing for reform. The change in policy to negotiations came because the economic and political will of the Afrikaner people had changed. They were now the pariahs of the world, implementing an old form of government in the late twentieth century. Their time had come to either destroy themselves in a civil war, or negotiate a favourable transformation.
From the late 1980s, with the increase in violence in South Africa and the economic slump, both the Afrikaners and the other races were beginning to see that a solution beyond apartheid had to be focussed on. Apartheid had brought South Africa to the brink of destruction, and it was now up to all population groups to put pressure on each other in order to bring about a new dispensation.

Towards Negotiations

In October 1987, the ANC published a “Statement on Negotiations” and the State published a report in which it was proposed that it adopts a Bill of Rights which would have a similar function as the ANC’s 1955 Freedom Charter (Davenport and Saunders 2000: 505). However, the ANC had decided to step up its guerrilla warfare tactics and make South Africa ungovernable, and as stated earlier, the government of South Africa then responded by implementing stringent protocols under the declaration of a state of emergency (Davenport and Saunders 2000: 506).

In January 1989, P. W. Botha suffered a stroke and subsequently retired from politics. At the end of P.W. Botha’s term as prime minister (and later on as State President), South Africa was suffering from costly civil administration, a structurally unsound economy, and it was in a deep recession, lacking access to capital because of sanctions and dis-investment from the international community (Thompson 2000: 24). South Africa was also in its fourth year of enduring a state of emergency which was a state of tyranny which had become unacceptable. P. W. Botha had hoped that Barend du Plessis (then the Minister of Finance), would succeed him, but F. W. de Klerk won the election for leadership of the Transvaal section of the National Party by 8 votes (Davenport and Saunders 2000: 512).

The ANC saw its opportunity to engage with a much weakened National Party, which had lost several seats in the 1989 election, and began to move toward a negotiated settlement, even in secrecy, with the state (Davenport and Saunders 2000: 514).
When F. W. de Klerk was sworn in to the presidency in 1989, he started with major reforms that would lead to the release of Nelson Mandela on 11 February 1990:

De Klerk… stressed his intention to tackle discriminating legislation, release security prisoners and end the emergency as soon as possible, and also work out constitutional proposals which would protect all people, including minorities, by means of constitutional checks and a Bill of Rights. His actions in the immediately succeeding weeks included guarantees to some black communities under threat of removal… and the opening of all public beaches to all races on 16 November\(^7\). In his opening address to Parliament on 2 February 1990 he announced the unbanning of the ANC, the PAC and the SACP, and undertook to release large numbers of political prisoners… He lifted the restrictions on the media\(^8\) except in unrest situations… He also announced the suspension of all death sentences\(^9\) and the appointment of an investigation into capital punishment itself (Davenport and Saunders 2000: 514 – 515).

There had been previous moves toward talks between the ANC and the National Party in 1985, even though there had been mistrust between the ANC and NP as a result of covert manoeuvrings and police action (Thompson 2000: 248). But the Groote Schuur Minute in 1990 provided for the beginning of talks around the negotiations which were to happen (Davenport and Saunders 2000: 559).

\(^7\) It might seem like a small concession, but opening the beautiful beaches of South Africa for use by all race groups was a huge step forward towards taking apartheid out of South Africa’s legislation.

\(^8\) The media were banned from covering most events during the 1980s (Thompson 2000: 235).

\(^9\) Some political prisoners were on death row.
The first Convention for a Democratic South Africa (CODESA) was called for between 20 and 21 December 1991, after all segregationist laws had been repealed. CODESA was a set of discussions and group meetings that set the rules for the negotiations as to how power will be shared and how the new South Africa will be shaped. These talks were attended by all political parties which had now been unbanned, and also religious leaders, and the talks were presided over by two judges with different cultural backgrounds. The talks went relatively smoothly, but a minor difference of opinion between De Klerk and Mandela showed the start of tough negotiations (Davenport and Saunders 2000: 560).

The referendum of White voters in 1992 which was a show of support for the continuation of negotiations, confirmed that CODESA was the preferred choice of action for the White population. The “talks about talks” were convened with twelve-member delegations from each participating party divided into 5 committees: Group One identified sources of friction and devised means to control the peace-keeping and security forces, Group Two ran into obstacles on how power was actually to be transferred, Group Three made proposals which were accepted on the creation of a multi-party Transitional Executive Council and also the Independent Electoral Commission which would oversee the election, Group Four discussed ways in which the independent homelands would be reincorporated into South Africa, and Group Five made suggestions about the time frames for each of the group’s proposals (Davenport and Saunders 2000: 561, and also Thompson 2000: 252). However, even though these talks were of greatest importance, not all the parties always played fair or participated fully:

Each [side of the negotiations] accused the other of sabotaging proceedings for its own electoral advantage. The NP clung to a belief that it had most to gain by delay, yet knew that it would be obliged under the existing constitution to face an election by 1994. … As a military coup was out of the question, the ANC decided to allow CODESA to run into the sand, and to follow a route of ‘rolling
mass action’, starting on 16 June (Soweto Day), and culminating in a general strike on 3-4 August 1992 (Davenport and Saunders 2000: 563 - 4).

And so the first CODESA broke down. With increasing anarchy throughout South Africa, and immense economic pressure, De Klerk and Mandela realised that the country would either be destroyed or brought under the rule of a multi-racial democracy. Even though they both personally became outraged with each other, they even met privately to forge ahead, because they felt that the country needed to be united in a way that encompassed all major parties’ concerns and requests, in as far as possible. Even while the ANC wished to become the outright dominant party, Mandela realised that he would need to “placate the whites who dominated the economy and controlled the police, the army, and the bureaucracy, by giving them some sense of participation and security in the new South Africa (Thompson 2000: 253). There seems to have been a fear then that if the negotiated settlement did not have some provision for the white nationalist population then there would be no way in which the newly elected majority black government would be able to function effectively in order to bring about service delivery.

From September 1992, after the attempt to take over the Ciskei in which 29 marchers were killed, the ANC met with the Government and signed a Record of Understanding (Davenport and Saunders 2000: 565). After that, the negotiators fulfilled their duties in time and the Independent Electoral Commission [IEC] had from February 1994 to prepare for the election that would be overseen by the United Nations (Davenport and Saunders 2000: 567):

... and in the end the ‘messy miracle’ was recognised for what it was – a nicely balanced, to some extent arranged result which gave the ANC seven of the nine provinces but fractionally less than the parliamentary two-thirds majority it would have needed to write the next constitution on its own (Davenport and Saunders 2000: 568).
The IEC also had to contend with latecomers like the IFP and Conservative Party who had formed a shaky alliance to protect their own people’s interests calling for the creation of a federal state in South Africa (Thompson 2000: 255). Mangosuthu Buthelezi, the leader of the IFP, also called for international mediation, which did not materialise in any real way.

The NP campaign before the 1994 election served to attract more liberal Afrikaners and also played on Coloured fears of a Black government which would not serve Coloured needs:

De Klerk aimed to capture the white vote; he explained that the Conservative Party’s vision of an Afrikaner Volkstaat was unrealistic because Whites were a minority in every district in South Africa. Since the National Party had transformed itself into a multi-racial party, de Klerk also expected to attract Coloured voters who spoke Afrikaans and shared white fears of Africans. He claimed that it was he who had been responsible for the end of apartheid and that the National Party had the knowledge and experience to run a government (Thompson 2000: 262).

Even though the country had been on the brink of civil war as a result of major political disagreements (especially amongst the ANC and IFP), a general election was held on 27 April 1994 which was declared free and fair. A new government called the Government of National Unity was sworn in. Nelson Mandèla became the first Black president of South Africa, with F. W. de Klerk and Thabo Mbeki as deputy presidents, in May 1994 (Davenport and Saunders 2000: 568). Parliament now had representatives from several political parties with the ANC/South African Communist Party/Cosatu alliance in the majority followed by the NP, the IFP, Freedom Front, Democratic Party, Pan Africanist Congress and the African Christian Democratic Party.
After the election, the biggest transformation in the country was in the Defence Forces which were now to incorporate the Freedom Fighters of the ANC, and also the transformation of the police force into the South African Police Services (since they had previously been perpetrators of violence themselves); and also the incorporation of the administrations of the homelands and the various departments in the South African government system into one harmonious South African administrative and judicial system.

In summary, the period leading up to the first democratic election was filled with turmoil as the liberation struggle was stepped up, and then later when all the parties concerned tried to create a negotiated settlement which was at all times a fragile process. According to Johnson (Cape Times, 28.04.2003): “1985-94 was marked by a "special interest" foreign policy aimed at gaining international recognition and legitimacy. This approach is characteristic of both rogue states and liberation movements.”

**After 1994**

The Reconstruction and Development Programme (RDP) was set up in the President’s office with Jay Naidoo (as a minister without portfolio) at the helm. The first budget of the new democracy, developed with Derek Keys as the Minister of Finance, “aimed to cut inflation while finding R2 billion for health welfare, education, housing, land, water, urban renewal, and other development projects, which together required the immense expansion of a moribund economy (Davenport and Saunders 2000: 569). Service delivery, and particularly the allocation of housing was difficult, especially when the civil service was undergoing immense changes. But, the Government of National Unity changed this economic strategy to the Growth, Employment and Redistribution Policy (GEAR) in 1996 because it “aimed to rebuild the economy by means of orthodox budgeting, tight control of inflation,
and the creation of new jobs through the promotion of exports and the freeing of the 
money market (Davenport and Saunders 2000: 570).

The Minister of Land Affairs set up a land claims court. In this way the people who 
had been dispossessed of their land throughout the apartheid period could appeal to 
the land claims court. This lawful way of approaching a sensitive matter had helped 
South Africa heal the wounds of the past. Because, unlike other parts of the world, 
the fight for black people’s rights in South Africa also included the right to the 
ownership of the land.

The Truth and Reconciliation Commission was set up and chaired by Archbishop 
Desmond Tutu in July 1995:

The Promotion of National Unity and Reconciliation Act, approved by 
Parliament after much debate in July 1995 provided that that TRC was to be 
made up of three committees, on Human Rights’ Violations, Amnesty, and 
Reparation and Rehabilitation (Davenport and Saunders 2000: 690)

At the hearings of the TRC that were held around the country, those people from both 
the ANC and the NP had to produce accounts of the atrocities, and those who were 
deemed to be accountable were also summoned to explain the reasons behind the 
atrocities that were committed. The TRC went a long way in investigating and 
recording these accounts, and it was especially successful when those who had been 
summoned had co-operated in some way with the TRC (Davenport and Saunders 
2000: 699):

Time must pass before any full assessment of the work of the TRC can be made. 
Its report was a fairly unstructured document, the work of several hands, loosely 
strung together, and not a careful attempt to edit (and therefore edit out of the 
record) spontaneous utterances of victims which could not be authenticated. In
this way, for all its legal inadequacies, it emerged as a potential resource for public consultation, and a quarry for scholars in place of the forty tons of records reputedly destroyed by the outgoing regime … (Saunders and Davenport 2000: 702).

But the most important tasks of the new Government of National Unity was to set up a constitutional assembly to create the first fully democratic constitution for South Africa and then to have a general election by 30 April 1999, when the agreed time period of the GNU was over (Davenport and Saunders 2000: 571). A constitutional court was set up with eleven judges presiding (Davenport and Saunders 2000: 583). Privatisation of state assets in order to free the state of financial obligations was an important task of the new government. New Bills introduced by the GNU were the Employment Equity Bill and the Competition Bill (Davenport and Saunders 2000: 585). South Africa’s sports teams were integrated and official international events were planned, with the Rugby World Cup being hosted and won by South Africa in 1995. South Africa had become a violent society, accustomed to lawlessness and it needed a government that would tackle the problem of crime head on. These tasks were difficult not only because of the history of the problems, but also because the GNU was obviously inexperienced at working together (Thompson 2000: 269).

In 1996, the National Part left the GNU to become the official opposition. De Klerk had fallen under political stress from constantly having to justify the Afrikaner position, as well as personal strife. The ANC was left as the majority party in Parliament, which could have resulted in a one party state, but:

… there were strong checks on abuse of power by the ANC: a free press, a vigorous civil society, and powerful business and trade union organisations. Indeed, as political scientist David Welsh said, “South Africa’s stability rests upon a tacit trade-off between the political power of the majority as represented
by the ANC and the economic and social power of the minority (Thompson 2000: 271).

But the ANC’s alliances were put under pressure, especially when COSATU took a general strike against the GNU in 1997 when negotiations between the trade union, business and the Minister of Labour broke down (Davenport and Saunders 2000: 584). Politics was complicated even more by the National Party which re-invented itself as a multi-racial conservative party now called The New National Party; and a new break-away party created 1998 by former NP and ANC members, called the United Democratic Movement.

By 2002, the new President of South Africa is Thabo Mbeki of the ANC serving for a second term. Marthinus van Schlakwyk is the leader of the New National Party. The other parties in government were the IFP, DP, UDM, ACDP, and DP became the official opposition. Mbeki unveiled is vision of the “African Renaissance” (especially through the development of NEPAD) and South Africa entered onto the world stage again, not as a pariah state, but as a successful emerging ‘miracle’ nation.

The Present

In 2004, South Africa celebrates its first 10 years as a democracy. South Africa is a country that is working hard to develop its people and infrastructure so as to build the economy by attracting international investment. The President of the country is Thabo Mbeki from the African National Congress.

South Africa in 2004 is still divided along economic lines, with poverty and crime being the greatest threat to economic stability. The government of South Africa has no clearly communicated policy on important issues like poverty relief and unemployment, and treatment of the HIV/AIDS pandemic. It also does not seem to have a clear policy for its foreign relations. The way in which it goes about decision-
making has much to be desired even though there is a government marketing campaign (and even Acts of Parliament, like the Public Finance Management Act of 1999) that promotes transparency and accountability, pride and patriotism, and the-right-to-know, there is still...

... A distrust of open discussion, limiting the influence of civil society and a felt need to control the process helped to produce predictable and fixed outcomes. But these tendencies also contributed to contradictions between multilateral rhetoric and unilateral action, leftist rhetoric and conservative implementation, and at times paradoxical international and domestic agendas (Johnson 2003).

South Africa is at the head of the African Union and also heads the New Partnership for Africa’s Development (NEPAD). After September 11 (2001), South Africa was criticised for its stance against Zimbabwe even though it took steps to stop major conflicts in Africa (particularly political interventions in the Democratic Republic of Congo and Burundi). With the outbreak of the war in Iraq, South Africa and Africa’s problems took a back seat to Middle Eastern issues in the international political arena.

Therefore, while South Africa has come through its transformation relatively well, and for a time being it was the darling of the world, the present South African government has much work to do in helping to build the nation and develop South Africa towards First World status.

South Africa also has quite a few public holidays which are points in the year which help the nation to commemorate the fight against apartheid. The most notable being Freedom Day on the 27th April, the day of South Africa’s first multi-racial democratic election; Youth Day on 16th June, when the students of Soweto rose up against unfair educational practices; and Woman’s Rights Day on 9th August, when women marched onto the Union Buildings to protest against the pass laws. All these days serve as reminders of the turmoil that the people of this nation has had to overcome.
On these days mass rallies are held all over the country to commemorate those who lost their lives in the Struggle, and celebrate the victory over the apartheid regime.

The third general election in South Africa was held on 14 April 2004. New parties have formed and have positioned themselves as opposition to the government. All citizens are anxiously awaiting that elusive brighter future for all which lies in South Africa’s future economic miracle.
PART 2

A Rhetorical Analysis of the 1985 Budget Speech
The 1985 Budget Speech was the presentation of the first budget of the new tricameral parliamentary system which gave limited representation to Indians and Coloureds only. This was a period of increasing political resistance to apartheid. The short term response at that time by the National Party government was to crush political resistance with the police, army and even covert third force operations while they introduced reforms which would accelerate the growth of a Coloured, Indian and African middle class over a longer period. This Budget Speech sets out the vision of the apartheid government for the years to come. It was delivered by the newly appointed Minister of Finance, Mr. Barend du Plessis, on 18 March 1985.

The National Party, the highly conservative authors and curators of the system of apartheid, were still in power in 1985. The State President of South Africa, a new office that was specially created for him by himself through the Constitution of 1984, was P. W. Botha. He tried to create a Coloured and Indian middle class by changing the constitution of South Africa in order to form the tricameral parliament. Under this new parliamentary system there were three different houses that formed the

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1 This section of each speech analysis provides a more specific historical overview for the year of the selected Budget Speech.
Parliament: The House of Assembly, the majority house, represented White interests; the House of Representatives, the second largest house, was for Coloured people; and the smallest, the House of Delegates was for Indian representation. In this system, Black people had no representation at all. This new change in the constitution were not popular with very low numbers (about 16% of the few that registered) of Coloured and Indian voting for it in August 1984 (Dugard, Haysom and Marcus 1992: 5-9).

In 1985 a State of Emergency was declared in 36 magisterial districts in order to reduce spirited political unrest. There was heavy censorship on all media protests. Foreign banks called in their short term loans to South Africa and the Rand slumped against foreign currencies.

Across South Africa, Black communities were rising up, and particularly school pupils were recruited and took part in mass action against the government (Dugard, Haysom and Marcus 1992: 45). Protestors were detained without trial by the security forces; they were beaten and tortured, and even killed in some circumstances (Dugard, Haysom and Marcus 1992: 65). Violent protest was spiralling out of control, especially in the Black townships.

The year 1985 saw the highest rate of violent protest action, including school and bus boycotts, worker stay-aways and eruptions in the townships between police and the people (Thompson 2000: 229). Because of the violence, the government administration broke down, and utter chaos ensued. That year also saw no less than 40 USA owned corporations leaving South Africa, and in July of that year Chase Manhattan Bank created an economic crisis in South Africa when it failed to roll-over its short term loans and other banks did the same (Thompson 2000: 233). Even though there was support for sanctions against South Africa, Margaret Thatcher, the prime Minister of Britain and Ronald Reagan, the President of the United States were opposed to sanctions against South Africa (Thompson 2000: 232). In September 1985
the European Community placed a ban on new investment in South Africa and the Commonwealth Foreign Ministers recommended severe trade and financial restrictions (Davenport and Saunders 2000: 536).

By 1985, as a result of the legacy of apartheid, South Africa had become a zone for catastrophe in terms of the economy and socio-political circumstances:

Growth was depressed by apartheid itself; by a number of economic shocks, including the severest drought of the century, and fluctuations in the gold price; by the uncontrolled spending of homeland governments and the huge triplicated bureaucracies introduced under the tricameral constitution; and by the rising costs of internal unrest (man-days lost to strikes, most of them political, rose nearly 1,000 percent between 1983 and 1986, and the government lost hundreds of millions of Rands a year in township rent and service payments boycotts). Sanctions exacerbated the situation, but they were not its primary cause (Waldmeir 1997: 133).

During the early 1980s, when protest against the government was at its highest and unrest was threatening the government, white farmers (a Nationalist voter base) were under immense stress with increased costs, bad farming methods, huge debt, the worst drought conditions in the twentieth century such that agricultural disaster was looming in 1984, but the government denied the farmers further subsidies in 1985 (Saunders and Davenport 2000: 473). The gold price also fell to it’s lowest in 1985:

If the drought and the maize crisis had occurred on their own, they would have constituted very serious problems in their own right. The fact that they happened against the background of steadily rising defence costs … and massive public expenditure on population resettlement made them part of a much larger crisis. But on top of this, the Government found itself facing the
most serious monetary crisis in the country’s history. ... By September 1985 the value of the Rand had fallen so low in relation to all major currencies that the Reserve Bank was forced to block its further decline and to freeze foreign loan repayments without renouncing obligations (Saunders and Davenport 2000: 473-4).

In August 1985, just five months after the Minister of Finance delivered his Budget Speech, President P. W. Botha delivered his “Crossing the Rubicon” speech. In this speech it was expected that he would talk about further reforms to the apartheid system, but instead he affirmed the apartheid government’s stance. This created chaos in the country and further destabilised the economy. However, the business community made clear that Fortress South Africa was not an option (Waldmeir 1997: 134). As the late 1980s passed, the pressure on South Africa to make reforms to the apartheid government became enormous and it was this psychological pressure (and also the economic strain) that forced change:

The white elite... cherished their cultural and sporting links with the Western world. Now they were shut out of international cricket and rugby; their academics were shunned; their planes could not land in the United States or overfly the continent of Africa; and they were the object of universal moral disgust (Waldmeir 1997: 134).

Abut the Minister of Finance: Barend du Plessis was the Minister of Finance from 1984 to 1992, under the National Party. Mr du Plessis explained in an interview how he came to be the new Minister of Finance. Even though these remarks were made some 18 years later they shed some light on the circumstances of his appointment and the problems he was facing at the time:
I knew a long time before that I was going to be Minister of Finance when Owen Horwood retired. Eventually that happened in August 1984 (Interview-BDP 2003).

In the same interview, Mr Du Plessis seemed to be quite positive about the new parliamentary system at the time:

... soon after P. W. Botha had made the statement “adapt or die,” and he was pretty sincere with that. I had no question in my mind that the verligte\(^2\) viewpoint would prevail and that we would move rapidly to resolve the issue of black franchise. We had made some preliminary progress with the other two houses of parliament, in the tricameral parliament system, but the main issue was how to resolve black representation. And the whole question of urban living Blacks and those Blacks living in what was then called the homeland areas. I had a great deal of excitement for the whole issue of taking development to where the resources are (Interview-BDP 2003).

Also in the same interview, Mr. du Plessis said that his job had been made very difficult, especially with South Africa’s military intervention in Angola which played havoc with the country’s budget:

We were in a position of war in Angola, and we were in a sanctions situation. And F. W. de Klerk, in the early 1980s, as a provincial leader, always said the teachers will destroy the National Party base if we don’t give them increases. Or if we don’t give the civil servants... but the defence budget could not be limited in a war situation, and they were spending money all over Africa, which I didn’t know they were doing, that was part of their secret fund. But you will

\(^2\) An Afrikaans word meaning enlightened.
see that education and salaries for civil servants always featured as places of drastic overspending on my budget (Interview-BDP 2003).

Moving to the media: according to the Cape Times report on Budget Day in 1985, the country was in the worst economic crisis it had seen in 50 years and the 1985 budget was geared towards restoring the battered economy (Johnson 1985). In the Cape Times editorial a day after the speech was delivered, it was said that:

Huge amounts are still spent, unproductively, on areas which are close to the ideological heart of the National Party, even in these times of reform... Only when the government gets to grips with this vast bit of unfinished reform business will the country be able to face the economic future with equanimity.

In the Cape Times on the 14 March 1985, Thomas Thomson said that the 1985 Budget “will mark a watershed that will set the direction of the recession-hit economy for years to come.” This article also mentions a “rare revolt” against the government made by white civil servants since they would receive drastic pay cuts.

**Summary of the Speech**

In the very first part of the speech Mr. du Plessis expressed his gratitude to several people including the State President, Mr. P. W. Botha, and other cabinet members, and members of the office of the Minister of Finance. In short, the budget is a shared outcome. Then, before the speaker provides an introduction to the budget itself, he points out that a Budget Speech is a reflection of the country’s goals. He points out that the budget provides opportunities for all cultures, and provides a means to create a safe environment for everyone.

Then the Minister turns to the economic section of the speech. He accepts that the South African economy is in a precarious state, because of sanctions and lack of
foreign investment, which he euphemistically terms “adverse extraneous developments”. He emphasises the gold price, inflation and the drought.

Mr. Du Plessis continues outlining the economic conditions present in the country by summarising developments concerning the business cycle, the balance of payments (including the rapid depreciation of the Rand), South Africa’s foreign debt, and the rate of inflation, and monetary policy. Agriculture also features as a main point. Here he discusses the circumstances of the worst drought conditions that South Africa had faced in the twentieth century, and justifies the government’s expenditure to support farmers who were negatively affected. He points out the need to educate everyone and providing for this.

The third section of the speech deals with the fiscal and monetary strategy for 1985 and the first three months of 1986. He makes an argument for not giving targets for an inflation rate, exchange rate and interest rate for the country because of the implications for the economic policy of the government.

Mr. du Plessis said that the 1985 Budget Speech was “one of the most important events in the economic history of South Africa”, because the outcry against apartheid from within and without the country had reached a violent and damaging crescendo. Also in this section is the justification of reducing the bonuses of public servants, from post office clerks to defence force generals. Then he talks about the “operation of strategy” which will lead to “a new economic upswing and a period of high and sustainable economic growth” which he says is a fundamental policy objective of the government. Following on from this are two further sections on controlling government expenditure, and more importantly on “Constitutionals Dispensation”. In the latter section the Minister apologises for the less than democratic way that the 1985 budget had been formulated and will be implemented.
The fourth section of the speech contains information on the fiscal and monetary strategy, not only for 1985, but the years following. The main achievement here is a growth rate of about 4 percent until the end of the 1980s. Then Mr. du Plessis produces an argument for the privatisation of state assets.

Section 5 of the Budget Speech reviews the fiscal year of 1984-85, where the main reasons why the government had to go into debt are listed: because of taxation, overruns in government expenditure, disaster relief (from drought and a cyclone), public debt and subsidies for various government services. Then the Minister of Finance presents a solution for financing the debt of 1984.

Section 6 details the “Fiscal Year” for 1985-86, calculating the possible amount of revenue, and the process for proposals for changes to the tax structure for the country. Then, the Minister explains the expenditure for implementing the tricameral parliament system, financing certain corporations controlled by the government, and what is termed as “General Affairs”, which is providing money to the many government departments. These include increases to civil and military pensions. The other important places where money will be spent are in creating a development bank, development for the Southern African region, job creation, and small business development. Mr. du Plessis repeats information on pensions, and then moves on to educational and housing expenditure. Still continuing in section 6, he gives the details for his financing proposals and their implementation and proposes additional taxes on luxury items. Section 6 also contains information on the functioning of the Inland Revenue Service and how taxation will be collected, as well as the tax concessions. The final part for section 6 features the amounts that will be collected as taxation in 1985 which will assist in financing the country’s budget deficit.

The seventh section of the speech contains tables of information which form part of the printed version of the Budget Speech.
Section 8 is the conclusion. Mr du Plessis discusses the short term gains provided by the budget, both in financial terms and in terms of gaining support from all the audiences, particularly the international western world. He concludes with an exhortation for the country to look to the future economic prosperity of South Africa.

**Rhetorical Analysis**

The Minister of Finance points out in his introduction that the goal of his speech is not merely to provide a strict economic address. The budget is a mirror of the people’s problems and needs. And he tries to satisfy their needs given the limits of the economy and the internal and political conditions. Hence, as explained earlier this is not a polemic speech, but rather an epideictic speech. The focus therefore is to establish the people’s sympathy to the proposed budget. In this section we will look at how the design of the speech reflects these aims.

*Inventio* is the means for discovering how a speaker puts across his or her message in a speech (Corbett 1990: 37). It is how and when the speech is formulated. Mr Du Plessis gives us an insight into how he went about composing the Budget Speech:

So what I did was take the committee in 1984, consisting of a few top people from the Reserve Bank and the Department of Finance, and expanding it with a few more economists, taking more of them from the Reserve Bank, and also some people from Planning. I literally almost forced them to go into debate. I transferred the whole thing to my department, and I appointed a senior person to keep minutes. And that committee met on a monthly basis to evaluate the economic situation and to make some predictions, and even to recommend some short term adjustment policies or whatever. In other words, I had this invisible committee to debate the issues without any inhibitions, and that was quite a problem, getting people from both sides, pretty much conditioned into hierarchical behaviour, to come out and say that they beg to differ, if they
wanted to differ from the governor of the Reserve Bank. And this process throughout my career as Finance Minister meant a lot of work to me, but that shaped the budget in terms of structure and policy, long before you got down to quantifying (Interview-BDP 2003).

Thus we can assume that the speech was as a result of an economic think-tank as well as the Minister of Finance’s own vision, and political statement. He said that he used to sit in bed going “through every word of the speech, correcting their language, making it into a more listener friendly style, with no technical jargon… (Interview-BDP 2003).” This shows that Mr Du Plessis wanted everyone to understand what he was doing and why. He even used to take experts lecturing from flip charts into cabinet meetings in order for the Cabinet Ministers to fully understand their impact on the economy (Interview-BDP 2003).

Given the epideictic purpose of the speech, it functions mainly in terms of pathos and ethos. Persuasion through pathos in the Budget Speech is mainly through the creation in the audience of feelings of pride in the country and what it stands for. At the time that the Minister of Finance was speaking there were many changes happening in government, but the most important was the new tricameral system of Parliament which gave nominal rights to the Coloured and Indian constituents. This was written into the new constitution for South Africa:

> The constitutional development of South Africa with its concomitant demand for social and economic upliftment indeed requires substantial effort and investment. Freedom, as with stability, has a price (Du Plessis 1985: 2).

For Mr. du Plessis, this new development and practice is part of uplifting the population, but for his critics it was, in fact, a strategy to create a Coloured and Indian middle class that would not take violent action against the government. It seems that this was just another step in the social engineering taken by the apartheid government
in order to provide a low paid, but “educated” work force for the new economy that was developing. On the other hand, considering Mr. Du Plessis’s political nature as a “verligte” nationalist, this seems to be a genuine attempt at nation-building.

The most impressive part of the speech is in praise of the Defence Force, where the Minister shows the more humane and human side of the South African National Defence Force, demonstrating that they too were bearing some of the burden by sacrificing their regular salary increases and perks:

Gerrit Viljoen, Chief of the Defence Force, said the following in a recent television interview: The people making up the Defence Force are no different from others – we are ordinary people, and the steps now announced will naturally hit our pockets too. It won’t be painless. But our response will be shaped by our culture and tradition. In the nature of things the Defence Force is a service body – we serve the country, and that service is bound to involve sacrifice or doing without.

Quoting the Chief of the Defence Force is important here. By virtue of his office, the chief is a man of prestige and the quote is regarding the sacrifice, even the personal sacrifice in salaries, that the chief and his troops are ready to make as a support for South Africa. The quote is interesting because the Chief of the South African National Defence Force points out the difficulty of life as a soldier, disconnected from their families, and risking their lives for the country, but he emphasises that they are people who are willing to make such sacrifices, and they are ready to do so for their country. This part of the speech is an example of the topic of amplification that is an integral part of an epideictic speech. It serves to show how honourable and excellent the Defence Force is since it is willing to protect the country and provide a service without complaining. The Defence Force was made up of mainly white members who were tasked with keeping law and order in the cities and townships. Very often they would detain and imprison protestors without a trial, and it is now
known that they would often torture their prisoners. The leaders of the Defence Force were an elite inner circle of “Securocrats” that President Botha had created, and they often acted with impunity. It was only much later that they were ousted from their prominent place in government:

… De Klerk acted fairly quickly after becoming President to tighten his grip on the state, most dramatically by dismantling the National Security Management System – the lair of the militaristic ‘securocrats’ – in November 1989 (Glaser 2001: 205).

During 1985, South Africa was experiencing some of the worst drought conditions in the twentieth century, and the government was heavily subsidising the farmers. Minister Du Plessis also makes a direct appeal:

The crop prospects in most areas are very much better this year and I therefore make an earnest appeal to our farmers to avoid as far as possible outlays on less-pressing capital items and postponable improvements, and to devote any surplus funds rather to the redemption of existing debt (Du Plessis 1985: 6).

…

In consequence of the calamitous drought of the past three years the Government has had to dig deep into the Treasury’s, and the tax payer’s, pocket in order to help the farmer (Du Plessis 1985: 5).

Here the Minister appeals to the farmers to co-operate, since the government has some sympathy for their problems.

Persuasion as a result of the ethos of the speaker lies in the speaker’s ability to inspire confidence, goodwill, and morality as a result of her speech. Du Plessis often incorporates the use of the first person, even when he is about to shed a negative light on himself, for example:
I would be neglecting my duty if at this stage I did not stress that an increase of this magnitude will entail an annual expenditure of approximately R300 million (Du Plessis 1985: 17).

Having thanked the President in the beginning of his speech, he shows that audience that he has P. W. Botha’s support. So when Du Plessis appeals to an important constituency for the National Party, he speaks with authority.

He also placates the farmers, showing them that he knows and understands their plight. He comes across as placating and calming them under their stressful circumstances, while asking them to be more prudent and thrifty with the money that the government provides for them.

The ethos of the government is also shown by the Minister’s praise of its attempt at righting the economic situation. Mr. Du Plessis says that the government is doing its best to manage the economy. It also shows that the governments is aware of external pressures and will provide some measure of reform:

Indeed, the recent confluence of national and international events has made today’s Budget one of the most important events in the economic history of South Africa. It is no exaggeration to say that the key to stability and growth of the South African economy in the period immediately ahead lies in the decisions taken at this juncture regarding Government spending, taxation and public debt management and in the reaction to and perceptions of our efforts in this field (Du Plessis 1985: 7).

The ethos of the Minister as evident in the Budget Speeches is of a man who is doing his job as best he can for his country. He speaks in very general terms of South Africa as a country that is functioning normally, and not suppressing a revolt by the majority
of its citizens. He underplays the violence by saying that one of the goals that the country has is “the maintenance of an orderly society in the face of both internal subversion and external assault (Du Plessis 1985: 1)”.

Even though this is an epideictic speech, there is evidence of *logos* in the broader design of the speech: every sentence has a consequent statement; nothing is left to chance. Take for example the section on education:

In the November 1983 White Paper on the Provision of Education in South Africa, the Government clearly defined its stance on education policy. This statement of policy contained an undertaking to pursue the goal of equal opportunity in education regardless of race, colour, creed or sex. ... and forms part of the framework within which policy for the financing of education is formulated (Du Plessis 1985: 18).

Even though the apartheid government had increased educational spending by the stated 19%, there were no details of how the money would be spent through the different departments of education, whether they will receive equal portions or not. We can, therefore, see that this rhetoric on education is sugar-coating a very unfair and unequal state of affairs.

The following information gives us an idea of the actual amounts budgeted for education at that time:

On the face of it, education was accorded a fairly consistently high priority over the period [1960 – 1994] However, two observations are appropriate in this regard. Firstly, it is common knowledge that the racial allocation of the total education budget was notoriously slanted in favour of whites, especially in the 1960s. ... Even in the late 1980s, the whites’ share of the education budget was
about 25% with only 39% of the budget going to African education. Secondly the poor quality of black education has significantly hampered skill acquisition and development, with disastrous consequences for overall productivity and growth (Abedian, Ajam & Walker 1997: 21).

Thus, even though there was talk in the Budget Speech of the government’s desire to increase the education budget so as to give full and equal opportunities to everyone, the actual spending on education betrayed the apartheid government’s rhetoric.

There is also mention of equality, for example, “This burden has to be borne equitably across the widest possible front” (Du Plessis 1985: 3), but the type of equality was only for those who opted to live by the rules and standards of the government and their view of “separate development”. This shows that there is some notion of equality in South Africa in 1985 and saying that the burden would be borne by most would allay some groups’ fears about paying too much taxes in a system where some population groups subsidise others.

For some commentators, the tricameral parliament was a farce that served to show the outside world that the apartheid government was interested in giving the “black” people the vote, but this did not stop the violence in the townships and homelands. Ultimately, the Minister aimed to bring about a positive feeling toward South Africa and its government by implementing seemingly sound policies. Also, the people want to know that their government is doing something about the standard of living and that there will be prosperity in the future:

Only when these objectives have been achieved will the stage be set for a new economic upswing and a period of high and sustainable economic growth – which remains our fundamental policy objective (Du Plessis 1985).
Thus he presents the budget as a humanitarian budget. This he does for his country, and speaks to the ethos of the government. This represents the government elite in a positive light to the international world. The government says that they are building, in spite of the difficulties, a humane society and the budget reflects this.

As described above in chapter 2, the enthymeme is a shortened form of syllogism. The first example of an enthymemic argument Du Plessis makes is:

Therefore, if the differences in our society can be resolved by negotiation, by bold initiatives and the development of acceptable political structures at all levels, our great land of promise will certainly achieve that stability, security and prosperity that is its birthright (Du Plessis 1985: 2).

The premises are (1) If differences amongst the population of South Africa can be resolved through negotiation, (2) and also if South Africa developed political initiatives and structures for all the people, then (3) South Africa will be a country that is stable, secure and prosperous. The maxim in the conclusion then is, "In a land of promise, stability, and security, prosperity is everyone's birthright." But, the type of negotiation and planning that had already been done and was in the process was limited representation for Coloured and Indian people, and not any sort of full political rights and obligations for all citizens that might prevail in a flourishing democracy. The international audience hears this argument differently to the local audience. This argument seemingly works both ways, while it serves to strengthen apartheid, it also appeases the western world which is putting more pressure on the government to make substantial changes.

A second argument in the series is:

At this stage I wish to state that we shall apply responsible policies for the promotion of economic stability which demand that in this budget in particular
we address primarily the unacceptably high rate of inflation. Such stability is a prerequisite not only for the economic growth and well-being we all so ardently desire, but also for the attainment of those enduring goals of security, freedom, and self-realisation to which we aspire (Du Plessis 1985: 2).

With this statement, there is a development of the second premise above: the application of initiatives and policies to bring about reforms that are acceptable to all. The Minister also plays upon the emotions of the audience who are living under great stress because a possible civil war is being suppressed on all fronts. Mentioning that the government is working towards freedom and self-realisation brings about happiness and hope. Thus, the Minister of Finance justifies his proposed increase in taxation rates because he believes that it will lead to growth and the happiness of the people through the public service and business.

The argument that follows is an expansion of the conclusion above and shows the way to prosperity as laying a sound economic foundation through prudence, “hardship and sacrifice,” which is the only way to lay a sound foundation for growth and prosperity in the medium and longer term (Du Plessis 1985). The South African Government at this time was desperate for legitimacy and international support.

In the Budget Speech there are also certain phrases and arrangements that are common to all the Budget Speeches. There is a possible ritualistic tradition present at the end of every part of the speech where the speaker says how much will be gained or lost, for example:

The additional revenue for 1985-86 from this source is estimated at R10 million.

The loss of revenue resulting from relief to unmarried tax payers ...
This common topic is one of relationship and is called “cause and effect”. It is part of the *logos* of the speech. The Minister of Finance painstakingly shows the effects of all the proposals that he makes. This shows that the government is taking note of every action that it takes and the results it will have for the economy of the country. It also forms an ending to the paragraphs of the middle of the speech where the policies are spelt out. It forms part of the epideictic structure of the speech, the praise of the government for gaining money and blaming them for losing money. The emotions of the audience will also go from positive to negative as the gains and losses are announced.

The second occurrence of this topic is when the Finance Minister makes proposals, for example:

- I accordingly propose…
- I also propose…
- In addition I wish to propose…

The speaker usually outlines the situation and then makes a consequent proposal. Here the speaker takes into account that even though he and his advisers have formulated a policy and certain structure that the Parliament must still debate and vote on it. Hence the use of “proposal” as a signifier that the audience also has a part to play in the development of the budget.

Mr. Du Plessis also uses the topic of cause and effect when he warns those who wish to defraud the government of taxes:

- It has come to my attention that dubious schemes for avoiding taxation on fringe benefits continue to be devised. … I must reiterate what I said earlier during the present sessions of Parliament: I shall not hesitate to introduce legislation to counter such schemes, and with retrospective effect. Employers
and their advisers who indulge in such practices would be well advised to take note and accept that they are now at risk.

Mr Du Plessis also uses the common topic of testimony, when he uses facts, figures, and statistics which lend authority to his speech.

Mr. du Plessis tries to structure the reality of his audience by having summaries that are labelled as first, second and third in a sequence. For example:

The first is that during the past two years the South African economy has been severely buffeted…. The second is that until about the middle of 1984 the response of monetary and fiscal policy to these external shocks was, on balance, too slow and too lenient… The third point is that the more resolute the application of our financial stabilisation policy since the middle of 1984 has succeeded… The fourth point is that, despite these policy achievements, the “mix” of monetary and fiscal policy thus far has not been ideal (Du Plessis 1985: 2-3).

This series of points serve as executive summaries, but more importantly, to assist his audience to think in the way that the Minister does (creating the reality for the audience), seeing the history of the economy as he does, and thus accept his further proposals. This also creates a rhythm to the speech and is a structure that runs throughout.

**Dispositio - Arrangement**

The speech is quite a long one, but it essentially can be divided into three main parts, the introduction, the body and the conclusion.
Thanking forms a large part of all the Budget Speeches. It serves to show the *ethos* of the Minister, he includes people who have assisted him and builds his credibility. The first part of the Minister’s speech is a whole section on thanking contributors and advisers. Mr. Du Plessis starts his speech with a comprehensive thanking of the State President for his help in compiling the budget:

Firstly I should like to thank the State President very warmly for his personal interest and involvement in this Budget from the time the aggregates started taking shape last year (Du Plessis 1985: 1).

The Minister builds his *ethos* and authority to speak because he has backing from the State President who in terms of the 1984 Constitution had considerable power in South Africa. The type of introduction straddles both the Introduction Preparatory and the Introduction Inquisitive, and serves to “explain an unusual mode of developing our subject (Corbett 1990: 285). This sort of introduction interests the audience and commands their attention, and the speaker establishes his credit with the audience (Corbett 1990: 287).

According to Aristotle, the conclusion of a speech is made up of four things:

… disposing the hearer favourably toward the speaker and unfavourably toward the opponent; amplifying and minimising; moving the hearer into emotional reactions [*pathe*]; and [giving] a reminder [of the chief points made in the speech]. After he has shown himself to be truthful and his opponent false, the natural thing is [for a speaker] to praise and blame and drive the point home (*Rhetoric*, Book 3, chapter 18, 1419b).

The ending of the speech is an exhortation to the population to be positive and have the will to succeed:
South Africa shines brightly as a land of great promise, offering the worker, the entrepreneur, the investor, and the loyal, responsible, and peace-loving citizen, their due rewards in the longer term. All we need is the will and the state of mind to make it work. We have an appointment with the future. This budget must help us keep it (Du Plessis 1985: 26).

The 1985 Budget Speech was a landmark budget because it sought to include a budget for wider representation (that is, including Coloured and Indian people), and also the government’s vision of the future of its new tricameral parliament. This exhortation at the end is remarkable in its energy and in its broad excitement and hopefulness for the future. The “worker” is mentioned first in the list, and shows that they are seriously regarded by the government. The “peace-loving citizen” is also mentioned as a way to encourage those who wish to take up arms to be faithful and help make the country work peacefully.

**Elocutio - Style**

Mr Du Plessis does not have a florid style and does not use many schemes and tropes. He has used plain language and he is logical in his representation. But he does not merely focus on the numbers and tables, which is important to note in the case of the section on education.

The rhetorical question is also used by the Minister as part of an argument for pensioners to pay tax:

Many elderly people find themselves in difficulties as a result of the ravages of inflation on retirement incomes. Unlike younger persons they are very often not in a position to augment their incomes and I am often asked: “Why must I pay tax in my old age after a lifetime of hard work during which I paid my taxes?” (Du Plessis 1985: 21)
The rhetorical question (erotema) is defined as “asking a question, not for the purpose of eliciting an answer but for the purpose of asserting or denying something obliquely (Corbett 1990: 453).” The Minister shows that he understands the situation that the aged find themselves in, and he identifies with them, and even while giving an increase for pensions he will still be taxing them at an increased rate as well.

The Minister uses a climax\(^3\) to express his frustration, but also to produce a humorous interlude (Du Plessis 1985: 12):

> The disastrous drought of the past few years continued unabated for the best part of 1984 – 1985 financial year, and the Government was compelled to maintain wide-ranging relief measures to the agricultural sector, to keep farmers on the land and to shield the consumer from the high cost of imported grain. … To crown it all, cyclone Domoina left a trail of destruction, resulting in the Exchequer having to contribute R31 million to ameliorate some of its effects.

The phrase “to crown it all” is the end of the climax and introduces the explanation of the Minister’s frustration and disposes his audience to his reasoning as to why the government continually and heavily subsidised the farmers.

Du Plessis also uses parallelism which is defined as the “similarity of structure in a pair of series of related words, phrases, or clauses (Corbett 1990: 458)”:

> Our economy at present finds itself in an economic downswing. In real terms – that is – after correcting for inflation – many leading economic factors are either

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\(^3\) The arrangement of words, phrases, or clauses in an order of increasing importance (Corbett 1990: 441).
declining or are rising more slowly while unemployment has increased (Du Plessis 1985: 3).

Here the speaker explains what an economic downswing is by showing the see-saw movement between, for example, if there is foreign investment, then there is an increase in unemployment.

The Minister of Finance also uses alliteration⁴, “leads and lags” to describe the starting and stopping of the economy on page 4, and “tender and tap issues” on page 5 of the Budget Speech.

And the Minister often uses euphemism to play down the more disastrous aspects of the economy such as playing down the warning to tax defaulters not to “cadge a lift on the backs of their fellow South Africans (Du Plessis 1985: 15)”. This is a figure of speech used to placate those citizens who dutifully pay tax while those who do not, are not caught and go unpunished.

On page 5 of the Budget Speech the Minister fully acknowledges that the subsidies to farmers, because of the drought, has cause the government to “dig deep into the pockets of the taxpayer”. This is a maxim for times when those who can ill afford to have to pay out large sums of money. In this case, the hard-pressed tax paying citizens have to subsidise the farmers even more. This language and reasoning helps the audience to identify with the Minister who has to help the farmers.

⁴ Alliteration is defined as “the repetition of initial or medial consonants in two or more adjacent words (Corbett 1990: 459).”
THOMAS THOMSON

SA faces landmark Budget

JOHANNESBURG. — The South African Finance Minister, Mr Barend du Plessis, presents his first Budget next week and economists say it will mark a watershed that will set the direction of the recession-hit economy for years to come.

Mr Du Plessis, who took over the finance portfolio last July from Mr Owen Horwood, is under intense pressure to trim soaring government spending, a major factor in the high inflation rate.

But senior government sources said he will be fortunate if he can hold the rate of increase of state spending at the inflation rate, which touched almost 14 percent in January.

South Africa faces a gloomy economic outlook, partly because of a severe drought which has devastated the agricultural sector and partly due to the weak price of gold which generates half the nation's foreign exchange.

Economists said a government failure to match recent tight monetary policy with fiscal discipline would disappoint the private sector, which would scale back investment plans on expectations that the economy would deteriorate further. It would take years to recover business confidence, they said.

A key problem is inflation, which according to some economists could peak at 20 percent or higher before tailing off.

Government spending will be about $27.19 billion in the current financial year to March 31 compared with $24.96 billion set in the original budget, Mr Du Plessis estimated last month.

Most economists believe he will raise spending by about 12 or 14 percent. Mr Du Plessis said he will spare no effort to give effective fiscal aid to the current tight monetary policy.

But money supply growth, an important factor in inflation, remains stubbornly high, with broadly-defined M2 up 23.4 percent in January.

Mr Du Plessis has said he aims to hold the government deficit before borrowing to about three percent of gross domestic product.

Central Merchant Bank Ltd calculated it totalled 3.8 percent in the first nine months of the current financial year.

Standard Bank said the Budget would promise a more positive economic contribution if it turned out as a serious attempt by the public sector to reduce its demands.

President P.W. Botha has announced fairly drastic pay cuts for civil servants which will save some R500 million. This triggered a rare revolt against the government by white workers from a state-owned textile firm.

Economists said any severe cutback in government spending which had an impact on the levels standard of the nation's black community would be a "terrible thing."

Cape Times, 14.03.85
Budget exacting test for Finance Minister

By Anthony Johnson
Political Correspondent

The new Minister of Finance, Mr Barend du Plessis, today faces the most exacting test of his career under extremely trying circumstances.

For the country, racked by the worst economic crisis in half a century, will be looking to the 41-year-old junior cabinet minister to produce a budgetary formula to help restore the battered economy without inflicting too much additional pain on hard-pressed consumers.

The pressures facing Mr Du Plessis as he put the finishing touches to what is widely expected to be a bad-times budget must have been enormous.

On one hand he will be expected to sweeten the pot for his government's tri-cameral partners in the House of Representatives and Delegates who are under increasing pressure from their constituents to produce material rewards to justify their entry into the "new deal."

On the other hand, big business and opposition politicians have emphasized the critical importance of curbing government expenditure as a crucial first step to controlling inflation, which is threatening to spiral out of control.

Mr Du Plessis will also have to contend with cutthroat competition for scarce resources by his government's 28 departments and the increasingly rebellious public service angered by recent pay cuts.

All eyes will be on Mr Du Plessis when he starts his budget speech this afternoon but few are expected to be dry when he completes it some 100 minutes later.

Consumers have been rushing to stock up on luxury items in anticipation of a GST increase.

Mr John Barry, general manager of Pick 'n Pay, yesterday said that people seemed to be buying more in anticipation of the budget.

"Sales have been very buoyant for the past two weeks, especially in cigarettes and electrical appliances," he said.

Pointers to the Budget, page 13.
South Africans will be poorer in 1985, just in case any had not realized. That is the message of Mr. Barend du Plessis's first Budget, delivered at a joint session of Parliament yesterday. At the outset, he deserves praise for trying harder than his predecessors to limit government expenditure. The process did not go as far as many observers, including this newspaper, had hoped. Yet he did manage to contain the increase to below the inflation level, which means a slight drop in real terms. He wisely invested a large amount in education (up by 19 percent) and, helped no doubt by the Nkomati Accord, kept defence spending down in real terms. Highly commendable was his commitment not to finance current expenditure from borrowings, which is like buying household needs on an overdraft. His new-fangled early-warning system to detect government over-spending (he spoke in ironic terms about the "somewhat idealistic" expenditure expectations of state departments) seems timely, too, as is the continued emphasis on privatization.

Overall, the Budget can be seen as a fairly determined holding operation within the paradigm of a moderately reformist National Party, fairly rich in technical detail, and clearly but sadly the sort of medicine the man-in-the-street needs at this moment. Time will tell whether over the longer term it will play a major role in bringing back the Good Life, in curtailing expenditure, improving the balance of payments, strengthening the rand, gold and reserves, taming inflation etc.

There will be disappointment that Mr. Du Plessis did not manage to peg general sales tax at 10 percent, but succumbed to the temptation to push it up. Yet the increase to 12 and not the feared 15 percent is some measure of comfort for a hard-pressed public, and the inflationary effect is at least less than it could have been. The GST increase was his major weapon in raising the revenue he needed to balance the nation's books after reasonable borrowings. Other measures, such as on imported cars and video-recorders and on office equipment, and surcharges and levies on companies, will make a smaller contribution.

What disappoints about this Budget, and has been an unsatisfactory feature of all Nationalist Budgets down the years, is a failure to hack-away at ideological expenditure. Huge amounts are still spent, unproductively, on areas which are close to the ideological heart of the National Party, even in these times of reform — such as more than R2 billion on "Co-operation and Development", a bureaucratic euphemism, so often, for pushing blacks around. Only when the government gets to grips with this vast bit of unfinished reform business will the country be able to face the economic future with equanimity. Until then, the best and most determined efforts of Mr. Du Plessis notwithstanding, victory will be incomplete.
Speeches delivered in the House of Assembly by the Hon. the Minister of Finance, the Hon. the Minister of Transport Affairs and the Hon. the Minister of Communications on 18 March, 20 February and 4 March, 1985, on the motion for the Second Reading of the Appropriation Bill, the Railways and Harbours Appropriation Bill and the Post Office Appropriation Bill respectively.

Published by authority of Mr. Speaker
APPROPRIATION BILL
(Second Reading)

Introductory Speech delivered at Joint Sitting
on 18 March

*The MINISTER OF FINANCE: Mr Speaker, I move:

That the Bill be now read a second time.

Before commencing my Second Reading speech, I have a pleasant duty to perform—namely to express my gratitude to several people.

Firstly I should like to thank the State President very warmly for his personal interest and involvement in this Budget from the time the aggregates started taking shape last year. The State President created a number of opportunities for the Cabinet and other members of the Government to be kept informed of the economic situation and of what is necessary for an economically sound budget today. Both I and all the officials involved in the preparation of the Budget, sincerely appreciate his interest and support.

To my Cabinet colleagues also, a warm word of thanks. Their co-operation has ensured that good work could be done, and in a pleasant spirit. I appreciate that.

A word of thanks is also due to the Director-General: Finance and all the officials of this Ministry and Department who, despite heavy pressure of work in a frequently tense situation, have performed their duties cheerfully and to excellent effect. Preparing a budget means putting in long extra hours of work—it demands not only scrupulous accuracy but also great creativity to resolve complex problems. Along with them I should also like to thank all the officials of all the various departments that have played their part in this Budget—and who begin tomorrow on next year's Budget!

Thank you all for your attitude. It has been a pleasure to work with you.

1. INTRODUCTION

In introducing the Estimate of Revenue and Estimate of Expenditure from the State Revenue Account for the coming fiscal year I am aware that the occasion is one of unusual significance: This is the first Budget to be presented to a joint session of Parliament including the House of Representatives and the House of Delegates.

This Budget is based on specific principles and guidelines that are fair but strict. Underlying the figures to be tabled are not only questions of economics but also the aims and aspirations of the millions of people in our diverse society. All of us, I am sure, would have preferred less economic turbulence underlying so portentous an occasion—but that is a subject with which we shall deal in due course.

Any Budget is, of course, primarily a financial statement. But a State's budget is much more than that: It provides a vehicle by means of which the government of the day justifies, articulates and pursues its goals for the country.

A threefold ideal, comprising security, prosperity and self-determination, was embodied in the mandate asked for by the government in office at the last general election. The ideal became a commitment when that election was won. The subsequent referendum expanded participation in the Government and the legislature. This has brought about new dimensions to budgeting, wider processes of accountability and the active pursuit of common goals in four broad areas.

The first is the maintenance of an orderly society in the face of both internal subversion and external assault. The people of
South Africa, whatever their cultural orientation or political views, have a right to look to the government for protection. Even those societies where the freedom of the individual has been exalted to the highest plane honour this solemn responsibility. Today's Budget accords this basic requirement its rightful place.

The second area involves all those activities designed to address the constitutional complexities of a society as heterogeneous as that of South Africa.

To date, the post-colonial African experience has failed to maintain a truly democratic system capable of accommodating and serving culturally diverse nations—even in those cases where there were no differences of race. The constitutional development of South Africa with its concomitant demand for social and economic upliftment, indeed requires substantial effort and investment. Freedom, as with stability, has a price.

While the financial implications of constitutional policy alternatives may be quantifiable, to some extent, they will no doubt also be substantial. However, the irreversible and dangerous social and economic consequences of irresponsible constitutional experiments are incalculable and therefore clearly unacceptable to reasonable South Africans. We must hurry, but carefully.

The benefits of orderly and responsible constitutional development materialize slowly and require continuous reinforcement through effective communication and mutual trust. Therefore, if the differences in our society can be resolved by negotiation, by bold initiatives and the development of acceptable political structures at all levels, our great land of promise will certainly achieve the stability, security and prosperity that is its birthright.

It is encouraging that, within the constraints of this Budget, this vital area of responsibility can be generously accommodated to enable the Government effectively to pursue its complex and daunting brief.

The third area in which our goal is pursued, covers a wide variety of social activities. This Government has no hesitation in accepting its responsibility to take cognizance of the plight and needs of the disadvantaged and distressed people in our communities, and to cope with this human challenge to the best of its ability. For this reason substantial funds have again been earmarked for services such as education, training, welfare and pensions.

Finally, the Government also pursues certain economic goals. We remain committed to the principles of the free market and the free enterprise system. At the same time, the Government will not shirk its regulatory responsibilities whenever it is necessary to act as referee or arbitrator.

The results of our decentralization and de-concentration policies have proved their fundamental economic worth and soundness. Whilst it is accepted that initial costs may be high and yields modest, the cumulative and long-term effect of taking development and employment opportunities to where the resources are, makes eminently good sense.

As will be evident from the Budget, the Government will maintain its policy of actively supporting and stimulating essential and desirable commercial, industrial and mining activities.

A budget, essentially, addresses economic problems. This aspect will therefore be given full attention in a few moments. At this stage I wish to state that we shall apply responsible policies for the promotion of economic stability which demand that in this Budget in particular we address primarily the unacceptably high rate of inflation. Such stability is a prerequisite not only for the economic growth and well-being we all so ardently desire, but also for the attainment of those enduring goals of security, freedom and self-realization to which we aspire.

I now turn to a discussion of the economic situation forming the background to this Budget.

2. ECONOMIC CONDITIONS

Statistics, including the customary array of economic indicators reflecting the performance of the South African economy are, as usual, contained in the Statistical/Economic Review I shall table today.

2.1 Analysis

Four general points emerge clearly from an analysis of present economic conditions:

The first is that during the past two years the South African economy has been severely buffeted by an unprecedented and continuing stream of adverse extraneous devel-
opments that has inevitably left us less well-off as a nation than we would otherwise have been. This has necessitated a painful process of belt-tightening and adjustment. A temporary decline in the average standard of living, before it resumes its upward movement, must therefore be accepted as inevitable. This burden has to be borne equitably across the widest possible front.

The second is that until about the middle of 1984 the response of fiscal and monetary policy to these external shocks was, on balance, too slow and too lenient, thus permitting total spending to rise at an excessive rate with adverse consequences for inflation and the balance of payments.

The third point is that the more resolute application of our financial stabilization policy since the middle of 1984 has succeeded in achieving its initial objectives of curbing total spending and transforming a deficit on the current account of the balance of payments into a surplus.

The fourth point is that, despite these policy achievements, the "mix" of monetary and fiscal policy thus far has not been ideal. Throughout the past two years, notwithstanding the intended restrictive policy stance, the unduly expansionary results of fiscal policy have meant that monetary policy through this period has had to bear too great a share of the burden of stabilization. This has resulted in a rise in interest rates to levels that adversely affect many farmers, home-owners and other borrowers. Yet, these high rates have not at all times been high enough to prevent overspending, inflation and substantial currency depreciation.

2.2 Business cycle

Our economy at present finds itself in an economic downswing. In real terms—that is after correcting for inflation—many leading economic indicators are either declining or are rising more slowly while unemployment has increased.

This downward phase commenced about the middle of 1984. It followed a marked upswing during the preceding fifteen months, which brought about welcome increases in output, real income and employment and produced growth of 4½% in real gross domestic product for 1984 compared with a decline of 3% in 1983. However, this upswing stemmed largely from government and private con-

sumer spending and could therefore not be sustained in the face of unfavourable extraneous developments in 1983 and 1984.

Foremost among these developments was a decline in the gold price from a peak of over $511 per ounce on 15 February 1983 to an average of less than $300 for 1985 thus far. Other factors were the drought and the sluggish recovery in world demand for some of our main non-gold exports. The upshot was a weakening of the balance of payments, a substantial depreciation of the rand and increased inflationary pressures.

In response, fiscal and monetary policies were tightened. Together with natural economic forces, this helped to bring about the needed cooling down of the economy from about the middle of 1984.

In the event, real gross domestic expenditure went through two quite distinct phases during 1984. At a seasonally adjusted annual rate it rose by 10% during the first half of the year and then fell by 5½% in the second, resulting in an average increase of just over 6% over the whole year. Its main component—private consumption expenditure—rose by 8% in the first half of the year and then fell by 9% in the second, giving an average increase of 2¼% for the year. Another component—government consumption expenditure—rose by 9½% while gross domestic fixed investment declined by 2½% over the year.

Present indications are that real gross domestic expenditure will fall further by about 4% during 1985 and that real gross domestic product will show little increase over 1984.

2.3 Balance of payments and the rand

For 1984, the current account of the balance of payments registered a deficit of just over R1 billion. There was, however, a substantial improvement during the year, from an annualized deficit of R2,8 billion in the first quarter to an annualized surplus of R906 million during the fourth quarter. For 1985 an overall surplus of at least R1,5 billion is expected. Both the actual and the anticipated improvements stem largely from the tightening first of monetary and later of fiscal policies.

On capital account there was a substantial net inflow of long-term capital of R2,7 billion during 1984, of which R880 million rep-
resented net purchases by foreigners of securities listed on the Johannesburg Stock Exchange. The result was that the so-called “basic balance”, that is the current account plus long-term capital movements, showed a surplus of about R1,6 billion for 1984. There was, however, a net outflow of short-term capital of over R3 billion, of which nearly R2 billion was recorded during the fourth quarter alone and which, as I shall indicate shortly, largely took the form of “leads and lags” in foreign payments and receipts.

Against the background of these balance of payments developments, the rand showed a marked further depreciation during 1984. From a peak of $0,91 in September 1983 it fell to $0,42 on 21 January 1985: A depreciation of 54% against the United States dollar and of 44% against a “basket” of currencies, in which the dollar has a weight of 41%. Against a “basket” of non-dollar currencies, the depreciation was 41%. Since then, however, the rand has appreciated by about 14% against the dollar, 17% against the overall “basket” and 20% against the non-dollar currencies.

Four main reasons can be adduced for the depreciation of the rand between September 1983 and January 1985.

The first was the exceptional and unexpected appreciation of the US dollar against virtually all other currencies during this period. This alone would have brought about a considerable depreciation of the rand.

The second reason was the adverse impact on the rand of lower foreign exchange earnings or increased payments caused by the falling dollar price of gold, the relatively weak world demand for some of our other principal exports, and the drought.

The third cause was our rate of inflation, which for some time now has been about three times higher than that of our major trading partners.

More recently we have had to grapple with a fourth cause of the depreciation of the rand: Namely the development during the fourth quarter of 1984 and the first three weeks of 1985 of substantial “leads and lags”. These assumed particularly large proportions when the dollar suddenly surged upwards again in December 1984 and the gold price once again slumped, giving rise to the expectation that the dollar would appreciate further—as it subsequently did—and that the gold price would continue its fall—as, in fact, it did. In these circumstances, many South African exporters delayed the repatriation of their foreign earnings, while many import and other foreign payments were accelerated—thereby bringing about a short-term capital outflow in the form of “leads and lags”.

The rapid recovery of the rand after 21 January 1985 and the relative strength it has recently displayed in the face of both the substantial further appreciation of the dollar against major currencies and the accompanying decline in the gold price, stem largely from the growing realization in the market place that monetary policy is proving effective in curbing spending and changing the balance of payments “fundamentals” in South Africa’s favour.

The rand was further supported by the introduction on 30 January of supplementary measures to alleviate pressure on the spot exchange rate. These included a tightening of the Reserve Bank’s arrangements for accommodation to banks, an expansion of the Bank’s forward exchange cover facilities and a decision to pay gold mines in dollars for only half of their production, with the balance in rand.

Given the existence in the world of a system of fluctuating exchange rates and the exceptionally large and unexpected appreciation of the dollar during the past two years, the policy of managed floating of the rand has produced good results.

It is true that the depreciation stems in part from insufficiently restrictive fiscal and monetary policies and that, inevitably, this has had inflationary consequences. But, managed floating has not been without its benefits: It has, for example, maintained and even raised the rand value of our principal exports, thereby also boosting tax revenues, and it has provided additional protection to many domestic manufacturers. It has also helped to retain long-term foreign capital in the country and to attract new foreign investment through the Stock Exchange and in other ways.

2.4 Foreign debt

South Africa has done well to avoid joining the long list of countries, including some quite large and developed countries, that
have in recent years “over-borrowed” and have consequently been forced to “reschedule” their foreign interest and loan repayments. Our untarnished record in meeting such payments on due date has not gone unnoticed and has contributed greatly to our good overseas credit rating.

It is true that of the total foreign debt of the public and private sectors of about R40 billion at the end of 1984, some R17 billion represented short-term liabilities. But South Africa’s total annual foreign interest payments today still amount to only 6,2% of total exports of goods and services, which is low by international standards and well within our debt servicing capabilities. The proof for this relatively favourable position is to be found in the many new credit offers still being received from foreign bankers. We, however, accept only a small proportion of these because of our basically conservative approach to foreign borrowing.

Moreover, now that our balance of payments on current account has moved into surplus, we are in a position to repay some of the foreign short-term borrowings incurred previously.

2.5 Inflation

The combination of excessive domestic spending and the depreciation of the rand naturally exerted pressure on prices: After declining from a peak of 16,5% in May 1982 to 10% in February 1984, the consumer price index rose by 13,9% over the twelve-month period to January 1985. Excess monetary demand has now been reduced significantly, but its delayed inflationary impact is still being felt, as shown by the recent increases in certain key prices.

2.6 Monetary developments and policy

As it became clear during the course of the 1983-1984 upswing that total spending was rising at an excessive rate, the monetary authorities progressively adopted a more restrictive policy stance and allowed interest rates to rise in response to market forces. Thus the prime overdraft rate rose from 14% in June 1983 to 25% in August 1984, at which level it has remained, apart from a short-lived fall late last year in response to a weakening in the demand for credit and a recovery in the gold price.

This more restrictive monetary policy has since proved effective even though the favourable results are not immediately apparent from the money supply statistics as such. But they are indeed implicit in the marked decline during the course of 1984 in the velocity of circulation of money. The velocity of circulation of M1, for example, which had declined steadily from a factor of nearly 10 in the first quarter of 1980 to 5,7 in the fourth quarter of 1983, decreased further to 4,7 in the fourth quarter of 1984. The result is that the actual spending of money—that is the money supply multiplied by its velocity of circulation—has not risen nearly as much as has the money supply itself. In the final analysis it is, of course, the spending of money rather than the amount of money in the economy, that counts.

Bank credit to the private sector rose by 28% over the twelve months to December 1984, before showing an actual decline for January 1985. Consumer credit as such, however, has been effectively curbed from September 1984 onwards.

The willingness last year to accept more realistic market-determined interest rates contributed greatly to our success in financing the larger than planned “deficit before borrowing” for 1984-85 by means of tender and tap issues of Government stock, rather than by recourse to Reserve Bank credit. This sound financing procedure, at a time when the private sector’s demand for credit was rising and the net foreign reserves falling, naturally placed the banks’ cash reserves under pressure and increased their need for Reserve Bank accommodation via the discount houses. While accepting its role of “lender of last resort”, the Bank has progressively raised the cost of this accommodation in order to curb the expansion of the banks’ cash base and thus their credit-creating capacity.

2.7 Agriculture

In consequence of the calamitous drought of the past three years the Government has had to dig deep into the Treasury’s, and thus into the taxpayer’s, pocket in order to help the farmer. Financial assistance by way of grants and numerous subsidies, excluding subsidies on food, amounted to no less than
R447 million in 1984-85 alone. Limited resources precluded greater assistance even in cases where extreme need persisted.

State assistance should, however, not be confined to the short term: Agriculture should be helped to help itself in confronting future crises.

The State President and several agricultural leaders have pointed to the need for a reappraisal of the method whereby agriculture is financed and to the possible creation of a system of reserve funds for farmers. The whole question was originally considered by the Standing Commission of Inquiry into Tax Policy and is now being pursued by the recently appointed Commission of Inquiry into the Tax Structure of the Republic of South Africa under the chairmanship of Mr Justice C S Margo. Its recommendations will receive prompt attention.

The crop prospects in most areas are very much better this year and I therefore make an earnest appeal to our farmers to avoid as far as possible outlays on less-pressing capital items and postponable improvements, and to devote any surplus funds rather to the redemption of existing debt. Subsidization of the interest on such debt involves a heavy burden on the Treasury and thus the taxpayer and cannot be indefinitely maintained. Suggestions are heard on occasion that the State will ultimately have no choice other than to write off farmers' debt in part, or even in full. But those holding this view would be well-advised to take note of the fact that the Exchequer does not now have, nor is it likely at any future date to have, sufficient surplus funds to apply in this way. Raising taxes on a massive scale for purposes of such outright grants, is equally unlikely.

The desperate debt situation in which many farmers find themselves is nevertheless well understood and regarded with sympathy and compassion by the Government, as evidenced by the vast amounts of taxpayers' money spent on aid for farmers. However, the lasting solution to agriculture's problems, apart from climatic considerations, clearly is not to be found in grants and subsidies, but lies in the will and energy of every producer to organize his affairs in accordance with the best principles of both farming and finance and in the creation by the authorities of conditions and facilities to this end.

3. FISCAL AND MONETARY STRATEGY FOR 1985-86

Against the background of the review of the state of the economy, I shall now set out in some detail the Government's strategy for dealing with the current economic problems and for promoting economic stability and growth in the year ahead. The precise Budget figures, which form a basic part of this strategy, will as usual be presented later in this address.

3.1 Quantitative targets

In spelling out the strategy, I shall not attempt to set precise quantitative targets by year-end for the inflation rate, the growth rate, the exchange rate, interest rates and a number of other economic variables, as some commentators would have us do. I believe no government in a free market economy can do this with a degree of accuracy that can assist planners in a meaningful way, particularly not in a world of volatile exchange rates, interest rates and commodity prices.

These variables affect relatively small and open economies such as ours much more severely than their larger more mature counterparts elsewhere. To give just one example: A rise or fall of $50 in the gold price, which could occur at any time, would immediately exert a material influence on financial conditions and call for rapid monetary policy adjustments, resulting in inevitable albeit desirable changes in, for example, interest and exchange rates.

Independently set targets will more often than not in the short term also be mutually inconsistent and therefore incapable of simultaneous attainment. There is, for example, such a close interrelationship between the money supply and the level of interest rates and the exchange rate that a meaningful target can be set for only one of these variables, after which the other two will adjust to their own levels. What we can and shall do, however, is to set out in detail our fiscal and monetary policy framework, including our ultimate and intermediate objectives and priorities, the policy instruments to achieve them, and the broad time scales we envisage for these policies to bear fruit.
3.2 Policy implications

The policy implications for the year ahead are very clear.

Basically, the situation calls for an effective and not a notional continuation of our economic strategy of curbing the expansion of total spending in the economy by means of monetary and fiscal policies, policies that are in accordance with the Government's declared aim of promoting private enterprise and effective competition. There is an essential need to add more fiscal policy to the overall policy “mix”.

Indeed, the recent confluence of national and international events has made today's Budget one of the most important events in the economic history of South Africa. It is no exaggeration to say that the key to the stability and growth of the South African economy in the period immediately ahead lies in the decisions taken at this juncture regarding Government spending, taxation and public debt management and in the reaction to and perceptions of our efforts in this field.

For fiscal policy to play its full and fair part in overall strategy in the year ahead, today’s Budget will have to meet as closely as possible three basic conditions.

Firstly, there must be no increase in real terms in total Government expenditure for 1985-86, compared with 1984-85.

Secondly, current expenditure, such as salaries, must not again be financed by borrowed funds, as has happened to an unacceptable extent during the past two years. In technical terms, Government “dissaving” must be eliminated and the Budget should rather contribute to “saving”.

Thirdly, the Budget “deficit before borrowing”, that is the difference between total expenditure and tax revenue, must be restricted to an amount that can be financed by borrowing without either significant resort to bank credit or contributing to any upward pressures on interest rates. Under present conditions, this means that the deficit must be kept below 3% of gross domestic product.

As today's Budget unfolds, it will become clear that these conditions will be met and that an improved and appropriately restrictive “mix” of fiscal and monetary policy will be applied in the year ahead.

In the long term, no fundamental conflicts or “trade-offs” are seen between the goals of price stability, balance of payments equilibrium, stable and high growth and low unemployment. But short-term conflicts do exist and then policy priorities must be determined. At the moment, for example, priority must be accorded to counteracting inflation and strengthening the balance of payments, stabilizing the exchange rate and increasing the net gold and other foreign reserves. Great importance continues to be attached to the objectives of growth and employment. It is my conviction that the best way to achieve these aims in the longer term is first to curb inflation and to strengthen the balance of payments. But, special attention will also have to be given to the amelioration of the effects of unemployment.

3.3 Reduction of Public Servants' bonuses

The commitment of the Government to produce a structurally sound budget and minimize the burden on the taxpayer could hardly have been demonstrated more dramatically than by the decision to reduce current expenditure by cutting staff-related costs by some R500 million in 1985-86.

The Government decided on the reduction of public servants' bonuses (the “thirteenth cheque”) from 8½% to 5½% of annual salary only after very thorough investigation and discussion and as a last resort. After all, taxation can only be reduced if the need for it, namely State expenditure, is first reduced. This step followed only because the very substantial cuts in other current expenditures were still inadequate for purposes of sound budgeting, and after the reduction of 3% in political office-bearers' taxable salaries.

From the many and varied responses elicited, one particular reaction needs to be recorded here, since it admirably reflects both the purpose and, in particular, the spirit in which the Government took this responsible step.

General Viljoen, Chief of the Defence Force, said the following in a recent television interview:

The people making up the Defence Force are no different from others—we are ordinary people, and the steps now announced will naturally hit our pockets too. It won't be painless. But our response will be shaped by our culture and tradition. In the nature of things the Defence
Force is a service body—we serve the country, and that service is bound to involve sacrifice or doing without. This takes various forms, such as being away from one's family, serving in distant regions, and being wounded or even killed. We are used to it, and it is against this background that our response needs to be seen. It can be given in one word: Understanding. We know that what the Government now asks of us is once again sacrifice. It is something in the national interest, and we fully believe that neither the Government nor any other political party is ill-disposed to the Defence Force and that this call is made purely for the good of the country.

3.4 Operation of strategy

The present strategy will operate in the following manner.

Firstly, the process of reducing total public and private sector spending in real terms, which began after the middle of 1984, will be continued. The role of fiscal policy in this process will be dealt with in detail today. In addition, monetary policy will remain tight as long as the situation requires.

Secondly, the surplus that has already been achieved on the balance of payments on current account is expected to increase in the course of 1985 and will have to be maintained long enough to bring about an appreciation of the rand in the foreign exchange markets and a meaningful rise in our net gold and other official foreign reserves. Despite the further fall in the dollar price of gold in recent months, this process is well under way, assisted not only by the decline in total spending but also by the effects of the lower exchange rate of the rand.

Thirdly, as the pressures of excess demand are diminished and the influence of the lower rand dissipates, the rate of inflation must perforce decline. As has been emphasized from the beginning, however, this can be expected to happen only after the present limited but inevitable acceleration of the rate of inflation has run its course. This acceleration stems mainly from the substantial depreciation of the rand between September 1983 and January 1985, and has not yet had its full impact on administered and other prices in the economy.

It must be recognized that most of the recent upward price adjustments, including the increases in fuel prices, electricity tariffs, transport costs and postal and telecommunication rates, are simply consequences of forces set in motion in 1983 and 1984. By the same token, current policies and developments will exert their full beneficial effects on prices hopefully towards the end of this year but certainly in 1986 and thereafter.

Only when these objectives have been achieved will the stage be set for a new economic upswing and a period of high and sustainable economic growth—which remains our fundamental policy objective. In the meantime, it must be accepted that the required further period of austerity and adjustment in the economy will pose challenges to economic management and entail hardship and sacrifice. But this is the only way to lay a sound foundation for growth and prosperity in the medium and longer term.

This approach rules out any artificial stimulation of the economy by such means as additional Reserve Bank money creation. It must nevertheless be recognized that there are already expansionary forces at work in the economy. One is the existing high level of public sector expenditure. Another is the increase in the rand value of gold and other exports caused by the depreciation of the rand. Both these forces are generating additional income and expenditure in the economy.

While some sectors of the economy are clearly experiencing a severe downturn, others are faring much better. The chances of so-called "overkill" in the economy as a whole are therefore remote. On the contrary, on the basis of past experience, the present downward phase of the business cycle will in due course be followed by the next upswing. Precisely when that will happen is impossible to predict, but both the timing and the sustainability of the next upturn will be materially influenced by the fiscal and monetary policies applied in the coming months.

The strategy I have just outlined is in broad agreement with the views expressed by the Economic Advisory Council during its recent meeting and by the International Monetary Fund Mission in their preliminary report to me only a fortnight ago.

Before dealing with the actual outcome of the 1984-85 financial year, I should like to
refer to two matters, namely the problem of controlling expenditure overruns and the effects of the new constitutional dispensation on Government accounts.

3.5 Expenditure Control

Last year's Budget announced measures to control Government expenditure during the course of the year, with seasonal fluctuations in Exchequer disbursements a prime target for improved control and cash flow management. The system attempted to peg monthly recurrent expenditure at about one-twelfth of the annual provision but only limited success was achieved.

This approach will therefore have to be replaced in the coming year by a cash-flow planning mechanism based on a 12-month projected cash profile of the expected spending of each department. The purpose of this monitoring exercise is to create an early-warning system for possible over-expenditure, so as to enable departments to take timeous corrective and compensatory steps, or for Cabinet to consider the priority and other implications of unavoidable but justified additional expenditure.

With the commitment and co-operation of my Cabinet colleagues and their departments this combination of intensified monthly monitoring and compensatory action where required, will keep overruns to a minimum.

I should like to caution analysts not to use the statistics of Exchequer issues, particularly for the first quarter of the next fiscal year, as early indicators of State spending for the full year, since these statistics are normally subject to seasonal variation. Moreover, in the coming year special factors will distort such comparisons further—such as interest on the public debt and the increases in teachers' salaries. As to the latter, there is the further point that the increases for October and November last year will be paid only in April and May of this year.

3.6 Constitutional Dispensation

For the coming financial year, the Revenue Accounts Financing Act, 1984 prescribes the quantum of the transfers to the Accounts for Own Affairs in terms of section 84(a) of the Constitution. Additional amounts are granted under paragraphs (b) and (c) of the same section. Every endeav-our is being made by my department to design formulae that will apply to payments made in terms of section 84(a) in subsequent years, and draft legislation will be tabled in Parliament this year.

The new constitutional dispensation has necessitated extensive structural changes not only to the Estimates of Expenditure now before Parliament but also to the whole fabric of our accounting procedures. Congratulations are due to my three colleagues, the Ministers of the Budget and the embryonic staffs, not only for establishing their departments successfully but also for meeting all deadlines in their own budgetary cycles for 1985-86.

Allow me also to refer briefly to the unique nature of the main Appropriation Bill. By its very nature and impact, it is not a measure that can be freely debated in advance of tabling, as is done with most of the other Bills in accordance with the operation of the new Constitution. The Standing Committee on Finance, to which the Appropriation Bill is about to be referred, and on which Government and Opposition parties of all three Houses are represented, would be required to deliberate on a set of proposals in the drafting of which the legislature per se had not been involved.

In this connection I am aware that the machinery for advance consultation and reaching consensus is, particularly in the financial sphere, still in its infancy and that, depending upon experience gained this year, somewhat different roles may have to be assigned to the Standing Committee on Finance in future.

I would welcome the greater involvement of the Standing Committee on Finance in the regular monitoring of monetary and fiscal developments and its inputs in regard to possible corrective or alternative policy measures.

Meanwhile I shall follow, with great interest, the standing committee's deliberations, and shall be happy to participate in any of its activities, should it so desire.

4. LONGER-TERM FISCAL AND MONETARY STRATEGY

In the nature of the case, today's Budget will deal primarily with Government finance in the year ahead and with its role in the
present short-term fiscal and monetary strategy. It is of the utmost importance, however, to view the Budget also in the context of the Government's longer-term fiscal and monetary strategy. This is particularly necessary at this juncture because today's Budget is in more ways than one a "special" Budget designed to deal with a "special" set of circumstances, and therefore not in all respects "representative" of the official longer-term financial strategy.

The main goals of our longer-term financial strategy are a high and sustainable rate of real economic growth and the creation of adequate employment opportunities—on the basis of reasonable price stability and a sound balance of payments. The South African economy certainly has the potential for rapid and sustainable growth. The Government is committed to the realization of that potential.

A major concern in this regard is that the achievement of an average annual growth rate of 3.6% until the end of this decade, as envisaged in the 1979 Economic Development Programme, still leaves us with a structural unemployment problem. Special measures to deal with this issue are therefore called for.

The strategy to achieve our long-term goals is based on the following financial principles.

Firstly, all expenditures, current as well as capital, for which the Exchequer itself assumes responsibility, must be brought back onto the central Government's Budget. This excludes the expenditures of State business enterprises such as the SATS and Posts and Telecommunications, and public corporations such as Escom and Iscor.

Secondly, total public sector spending in relation to the gross domestic product has increased over the past three years from less than 35% to approximately 37% in 1984. Despite the fact that a percentage increase in public sector spending is normal in a downswing, it is the Government's intention to reverse this rising trend and to reduce the percentage to below its 1981 level before the end of this decade.

Thirdly, it is intended that the deficit before borrowing of the Government sector will not in future years exceed 3% of the gross domestic product, barring highly unusual circumstances.

Fourthly, the public sector's deficits will be financed in a manner that will facilitate as far as possible the realization of such target rates of growth of the money supply as may be set by the monetary authorities.

As regards the second and third of these goals, the State President's Committee on National Priorities has already discussed in depth preliminary guidelines for growth in public sector spending until 1990-91, that is for general government, state business enterprises and public corporations, as well as guidelines for the increase in central Government budgetary totals as such.

In the case of the central Government Budget, preliminary targets have been agreed upon for nearly three-quarters of our total budgetary expenditures. Research into the remainder should be completed by the end of this year.

With regard to monetary policy, the Commission of Inquiry into the Monetary System and Monetary Policy in South Africa has made an intensive study of the feasibility and desirability under South African conditions of setting and announcing target ranges of growth for monetary aggregates such as M₁, M₂ and M₃. Its final report is expected within the next two months. If the commission's recommendations prove acceptable to the Government, no time will be lost in implementing them as part and parcel of the longer-term strategy.

Further lines of action in the longer-term strategy are the following.

Firstly, the Government aims to revise certain features of the present tax system that will serve to strengthen fiscal incentives and to enhance productive effort and productivity, saving, investment, risk-taking and innovation. The reports of the Margo Commission should provide highly valuable guidance in this regard.

Secondly, we shall seek to ease further the remaining rigidities in the labour market; to promote the education and training of the various segments of the labour force; and to foster the geographical and occupational mobility of the country's labour resources.

4.1 Privatization and deregulation

I am pleased to emphasize the fact that in keeping with the policy of promoting free enterprise contained in the preamble to our Constitution, the Government is purposeful-
ly seeking ways and means to give definition and effect to this policy, insofar as it affects all levels of government as well as State corporations and enterprises.

Privatization will allow us to harness the skills and energies of the private sector in major areas of economic activity that are still within the ambit of the public sector. The attraction of this approach is that, through sensible privatization: Services can be made available at lower unit cost; unused or underutilized capacity can generate income; current expenditures can be reduced; and—most importantly, particularly viewed against the very large amount needed for debt servicing—the proceeds from the sale of public assets can be used to lower the public sector debt which, by reducing the interest burden, will assist us in further pruning current expenditure levels.

A case in point is the privatization of certain hospital services.

Furthermore, the Government takes a serious view of the whole question of regulation, licensing and administrative procedures insofar as these act as a brake on economic development and on the ease of entry of the underdeveloped and informal sectors into the mainstream of our economic life.

It is heartening also to be able to state that, in response to a memorandum from my colleague the hon the Minister of Trade and Industry, the Cabinet has recently decided to recommend to the State President that the President's Council be requested to investigate all regulations, standards, licensing requirements and conditions, as well as administrative delays and red tape that could hamper economic development in general and the small business sector in particular. This investigation should embrace all levels of government. This inquiry will provide an opportunity to all interested parties to submit representations.

It is my belief that our endeavours in these various fields will contribute materially to a climate favourable to future economic development. To the extent that they do so, they will also contribute to the neutralization of current pressures for disinvestment by overseas interests.

I should next like to deal with the accounts for the present year.

5. FISCAL YEAR 1984-85

5.1 Revenue

Total revenue for the year now ending is estimated at R23 835 million, which is only 4.6% higher than the Budget estimate of R22 777 million. Inland Revenue sources contributed R21 920 million, an increase of R931 million or 4.4% on the original estimate of R20 989 million, while customs and excise collections of R1 915 million are R126 million or 7% higher than the estimate of R1 789 million.

The variation between the present and the original estimates arises from only a limited list of sources. In the case of Inland Revenue the volatility of the gold price and its rand value once again influenced tax and lease payments from gold mines: The present estimate of R2 025 million for gold mines represents an increase of 9.8% on the March 1984 total of R1 844 million. Structural changes in this sector, such as joint ventures and mergers, increased capital expenditure, and higher outlays have contributed to a decrease of R1 608 million in the total revenue from the gold mines, from R3 633 million in 1980-81 to the present R2 025 million, despite the 1984-85 rand price of gold having been approximately R550 per ounce or some R100 higher than the 1980-81 average.

The withdrawal of certain allowances announced in last year's budget influenced revenue from non-mining companies to a greater extent than anticipated, and the R3 855 million expected from this source is about 13% higher than the Budget estimate of R3 410 million.

Although the present estimates for income tax from individuals of R7 840 million and general sales tax of R5 895 million are R144 million and R60 million respectively higher than the Budget estimate, the percentage increases are only approximately 2% and 1% respectively.

The increase in customs and excise collections is almost entirely accounted for by the R224 million or 19.5% increase to R1 370 million in customs duty. The latter can be ascribed to the relatively high level of imports during early 1984 as a result of the mini boom and to the high rand value of imports, because of the weak exchange rate of the rand. The present estimate for excise duty of
R1 885 million is very close to the actual budgeted total. Payments to our Customs Union partners and South West Africa must however be subtracted from total customs and excise receipts: The sum involved is R1 410 million, which is 5.3% higher than the estimate of R1 339 million.

5.2 Expenditure

Although I dealt with the overruns on expenditures fairly extensively during the debate on the Additional Estimates for 1984-85, it is not inappropriate again to highlight a few of the services that resulted in the main Estimate of Expenditure of R25 357 million, submitted in March last year, increasing to no less than R27 194 million by the end of March this year.

5.2.1 Disaster relief and food subsidies

The disastrous drought of the past few years continued unabated for the best part of the 1984-85 financial year, and the Government was compelled to maintain wide-ranging relief measures to the agricultural sector, to keep farmers on the land and to shield the consumer from the high cost of imported grain. The sugar industry also required continued subsidization.

Optimism in March last year, which had prompted the provision of only R280 million for drought relief and R160 million for food subsidies, was in retrospect clearly unfounded and, in the event, these allocations had to be augmented by R89 million and R249 million respectively. To crown it all, cyclone Domoina left a trail of destruction, resulting in the Exchequer's having to contribute R31 million to ameliorate some of its effects.

5.2.2 Public debt costs

In contrast to previous years, this year's figures on public debt costs have been adjusted to exclude discounts on stock marketed at a discount. The main reason for this lies in the fact that a discount should not be debited as the full direct cost in the year in which the stock is issued. The discount is, in terms of section 20(1) of the Exchequer and Audit Act, essentially self-financing. On this basis the cost of servicing our public debt during 1984-85 will be approximately R4 011 million—up by R521 million from the R3 490 million provided for in the main Estimate. The chief contributing factors to this increase were domestic interest rates, which were markedly higher than anticipated, and exchange rate losses. The State, being the insurer of last resort, obviously cannot cover itself against such losses.

5.2.3 Other deviations

Other major deviations from the 1984-85 main Estimate were transport subsidies (plus R129 million), protection services (plus R292 million), land and housing affairs (plus R156 million) and provincial subsidies (plus R84 million).

5.3 Financing of the 1984-85 deficit

The present estimates of R27 194 million and R23 835 million for expenditure and revenue, respectively, point to a deficit before borrowing of R3 599 million, or some 3.2% of the gross domestic product. Redemptions of loans during 1984-85 will amount to R2 538 million; this will be R363 million higher than anticipated, and is due mainly to an increase in bond and foreign loan redemptions.

The net result is a total financing requirement of R5 897 million for 1984-85, some R1 142 million or 24% higher than budgeted for. However, the Exchequer's funding programme has once again been extremely successful and a total amount of R6 362 million will have been raised by the end of this month, mainly from the non-bank private sector, leaving a surplus of R465 million.

A feature of the past year's financing programme was the R1 600 million raised in new Government stock. This is R685 million, or 75%, more than the R915 million originally envisaged. The decision to discontinue the bonus bond scheme is reflected in a R194 million decrease in total bond receipts over the year, which yielded only R161 million net. New foreign loans, on the other hand, yielded R175 million more than the budgeted R425 million.

To the surplus of R465 million I propose adding the current balance in the Stabilization Account of R194 million, which increases the total to R659 million. This will enable the Exchequer to clear the outstanding balance of R654 million on the Gold and Foreign Exchange Contingency Reserve Account with the Reserve Bank as at 31 March 1984. This latter amount represents the net
loss incurred by the Reserve Bank for the account of the Exchequer in respect of the forward cover facility provided to the private and semi-state sectors in respect of their foreign exchange dealings up to end March 1984.

This leaves a small surplus of R5 million for the current year, which I propose transferring to 1985-86 and utilizing for the Small Business Development Corporation. I shall however return to this matter later.

6. FISCAL YEAR 1985-86

6.1 Revenue

On the current basis of taxation, total revenue is estimated at R26 585 million, an increase of R2 750 million or 11,5% on the revised estimate for 1984-85.

Inland Revenue collections are expected to increase by R2 785 million or 12,7% to R24705 million. All the major revenue sources are expected to show increases notwithstanding low levels of economic activity. Tax and lease revenue from gold mines is estimated at R2 350 million, a rise of 16%. Despite the present depressed levels of profitability, income tax on non-mining companies is expected to yield R4 250 million, an improvement of more than 10%. This estimate represents a trade-off between the effect of the changes in the allowances already referred to—the full impact of which becomes effective in the coming year—and the continuing depressed economic climate.

Individuals should contribute some R8 950 million in income tax, an increase of R1 110 million or 14,2%. This increase is much lower than that for the current year but reflects the net loss of revenue expected from fringe benefit taxation as well as the more moderate average increases in taxable emoluments in the public and private sectors and, therefore, the lessened effect of fiscal drag.

The estimate of R7 100 million for general sales tax is R1 205 million above the 1984-85 figure. A straight comparison of the two in percentage terms would be misleading as the present differentiated GST rate was introduced only some way into 1984-85; on a comparable basis the increase next year would be about 12%.

Total net customs and excise revenue may fall for the first time in recent history, by some 1,8% to R1 880 million, even though a rise of as much as 7,7% to R1 475 million is expected in customs duties alone. Transfer payments in respect of the Customs Union are estimated to increase by as much as 9,9% to R1 550 million, representing 45% of the gross customs and excise receipts and exceeding the total revenue earned from customs duty.

This fall in net customs and excise duties can be attributed mainly to the growth of the Customs Union payments. This worrying state of affairs is receiving the urgent attention of Government, and the outcome of an independent study now being carried out into this issue is awaited with great interest.

While on the subject of revenue collections, I feel it appropriate to offer a few general thoughts on our tax structure.

*6.2 The Tax Structure of South Africa

6.2.1 Tax reform

Tax reform has of late received increasing attention world-wide in a variety of ways. The trend seems to be one of the reduction of taxes in order to create and expand wealth. This is in sharp contrast to the more "orthodox" approach of increasing taxes to redistribute wealth.

6.2.2 The Margo Commission

Our own tax structure has recently been severely criticized in various quarters. The appointment of the Margo Commission is the Government's own acknowledgement that the present system needs in-depth revision and confirmation of its own publicly expressed reservations on the matter. I expect the commission to be innovative in its investigation and, if need be, to propose far-reaching changes in order to enable the new structure to meet the many and varied demands our economy will place on it.

In these circumstances the ideal approach would probably have been to refrain from making any basic changes until the commission had submitted its report. In the present economic climate this is unfortunately not possible, and although major basic changes could be avoided, certain interim tax adjustments, which I shall presently discuss, have been unavoidable. These changes are of necessity ad hoc in nature, but the commission will be requested to evaluate them as part of its inquiry.
While on this subject I should also like to draw the attention of hon members to a few matters that have not yet been finalized or conclusively studied by the Margo Commission, but on which some comment at this time seems appropriate.

6.2.2.1 Indirect taxes
The first concerns the thorough investigation into indirect taxes conducted recently by a technical assistance mission of the International Monetary Fund at the request of the Department of Finance. I expect a written report from the Fund before the middle of this year, but discussions with this mission indicated that the report will be of great assistance to both my department and the Margo Commission.

6.2.2.2 Working couples
I had hoped to have been able to address this problem of the taxation of working couples in the 1985 Budget after the Margo Commission had had an opportunity of framing recommendations in this regard. However, the commission advised me that it is unfortunately not in a position to make any recommendation on the taxation of married couples at this early stage of its work, and much as I should like to deal with this long-standing issue now, it would clearly be inappropriate either to confirm or change the system before the recommendations of the commission were to hand.

6.2.2.3 Estate duty
Once again, because of the short time since it has been constituted and the urgent attention it had to devote to fringe benefits taxation, the Margo Commission has not found it possible to discuss and formulate recommendations on estate duty and all related issues. It has however been informed that in the Government's opinion estate duty, at least in its present form, can no longer be regarded as appropriate to the needs of our time. As an interim measure, certain amendments will be introduced during this session of Parliament in consequence of the Matrimonial Property Act, 1984.

6.2.2.4 Insurance policies
The growth in the number and value of insurance policies with no risk cover is causing concern. These policies, usually referred to as “pure endowment” policies, are simply investments with no life cover, but by reason inter alia of the provisions of the Income Tax Act relating to the taxation of insurance business, the rate of return on such policies is appreciably higher than that offered on many other investments.

This problem of lack of tax neutrality was referred to the Van der Walt Committee appointed to inquire into matters relating to long-term insurance. Unfortunately that committee has not yet been able to submit a report on this matter. Because of the appointment of the Margo Commission with wider terms of reference, this issue should now also be dealt with by the latter body. As soon as its report is received this problem will be given urgent attention.

6.2.2.5 Fringe benefits
It has come to my attention that dubious schemes for avoiding taxation on fringe benefits continue to be devised. Some of these schemes involve for example the granting of housing benefits channelled indirectly through pension funds, insurance companies and other parties.

I must reiterate what I said earlier during the present session of Parliament: I shall not hesitate to introduce legislation to counter such schemes, and with retrospective effect. Employers and their advisers who indulge in such practices would be well advised to take note and accept that they are now at risk.

6.2.2.6 Tax collections
In spite of difficulties caused by a shortage of trained staff and inadequate accommodation, Inland Revenue has succeeded in increasing its tax collection efficiency by dint of a special effort during the latter part of last year. The results are reflected in the growth in revenue figures. I thank the officials for their efforts.

It is self-evident that Inland Revenue must take enforcement measures and deal strictly with defaulters. One would, however, have preferred taxpayers to meet their obligations voluntarily. It is regrettably true that there are those who consciously and wilfully evade taxation and those who cynically manipulate tax avoidance to such an extent that it cannot be construed as anything but evasion of taxation. I have requested the Margo Commis-
sion to look into all possibilities of increasing our capability to collect as completely as possible from taxpayers that which they rightfully should pay to the fiscus and to advise me on making penalties substantially heavier and substantially increasing fines where appropriate.

The Commissioner for Inland Revenue, however, is by law clothed with a measure of discretion when dealing with various degrees of transgression. He has agreed to treat with leniency those who are willing to come forward during the next three months, that is until the end of June 1985, to rectify matters and also those who through ignorance have not fully shouldered their tax responsibilities. As from 1 July, the Commissioner will deal severely with those who are cadging a tax lift on the backs of their fellow South Africans. I trust that those concerned will make use of this period of grace.

I hope to receive the Margo Commission's recommendations on all the issues mentioned and many others in the course of the next twelve months or so. The work already done by the commissioners, their enthusiasm, thoroughness, experience and balance are noted and sincerely appreciated by all and I have no doubt that the work and effort being put into its mammoth task cannot but redound to the benefit of all.

I now wish to turn to the 1985-86 expenditures.

6.3 Expenditure

The printed Estimate of Expenditure tabled today, including transfer payments to the Administrations of the House of Assembly, the House of Representatives and the House of Delegates in terms of section 84(a), (b) and (c) of the Constitution, amounts to R31 145 million.

This will, however, be reduced by R417 million to R30 728 million, representing that portion of the nearly R500 million saving on personnel-related costs recently announced by the State President which could not be reflected in the printed Estimate. The Treasury will effect the saving in question by suspending, in terms of section 8(1) of the Exchequer and Audit Act, the R417 million according to the share which the Commission for Administration determines for each Vote.

The initial expenditure requests of depart-

6.3.1 Structural changes

The structural on-budget changes effected in next year’s Budget relate to several expenditure items that in previous years were financed off-budget. They include allocations to the Atomic Energy Corporation, the National Housing Commission, South West Africa, payments to the independent states of tax collected on their behalf—previously shown as drawbacks from tax revenue receipts—and certain Defence expenditures.

From the present on-budget items only Soekor financing will in future be done off-budget via the Strategic Energy Fund, where it belongs. The net total added in this way to next year’s budget amounts to R599 million.

There are still a number of off-budget expenditure items that will have to be brought on-budget in the year after next. By that time I hope to have provided for all expenditure emanating from parastatal and other bodies that could legitimately be regarded as forming a charge on the Exchequer.

During the pruning process a conscious effort was made to reach lower expenditure targets by cutting current rather than capital expenditure. Hence capital expenditure will rise by 17,4% from R2 675 million in 1984-85 to R3 141 million in the coming year.

Allow me next to highlight a number of significant expenditure items for next year, first under general affairs and then under own affairs.

6.3.2 General Affairs

6.3.2.1 Defence

The point that South Africa cannot, in the foreseeable future, do without a strong defence capability needs no stressing. However, the notion prevalent in certain circles that defence expenditure is claiming an ever-growing proportion of the Budget is simply not true, since its share has hovered around 15% to 16% of total state expenditure for many years now. As a result of stringent economizing—for which I am very grateful
to my colleague the hon the Minister of Defence and his department—I am able to propose an allocation of R4 274 million for this Vote—only 8.1% over the amount voted for 1984-85. More importantly, we should note that Defence’s share in the total Budget, far from increasing, will actually fall marginally from 14% in 1984-85 to 13.8% in 1985-86.

6.3.2.2 Manpower

The Government is acutely aware of the need to ensure an adequate supply of all categories of skilled manpower through higher individual proficiency and, thereby, an increase in overall productivity. The allocation to this service has therefore been increased by 14% to R103 million. However, I share the belief that there should be a more equitable sharing of the cost burden of training, firstly between the Government and the private sector and secondly, between the various industries and employers within the private sector.

Certain deficiencies in our system of tax concessions for training purposes were revealed, as a result of which the original concessions were reduced as from 1 October 1984. My colleague the hon the Minister of Manpower has requested the National Training Board to investigate and report on the whole question of training incentives, and further adjustments to the system will, if necessary, be made as soon as the investigation has been completed and the recommendations approved by Cabinet.

6.3.2.3 Public Service remuneration

It is noteworthy that, with the exception of the teaching profession, public servants on fixed salaries and those who have reached their scale maxima will by the end of the coming financial year have had no increase in gross emoluments for up to twenty-seven months.

One therefore has to be careful that the old disparities between the Public Service and the market place, which were only recently—and at appreciable cost—reduced or even eliminated, do not return. So as not entirely to lose what has so laboriously been gained by occupational differentiation, R125 million is proposed for the continuation of this process, albeit on a very restricted and modest scale, mainly for some of the lowest-paid categories among for example nurses and underqualified teachers.

6.3.2.4 Civil and military pensions and benefits under the Mines and Works Act

I should now like to turn to proposals involving additional expenditure on pensions and disability benefits.

In view of the continuing increases in the cost of living, the Government has agreed to the following improvements with effect from 1 October 1985:

(a) Military pensions will be increased by 15%;

(b) Civil pensions will, in the case of persons who became entitled to a pension on or before 1 January 1984, be increased by 1% for each completed year of retirement, subject to a minimum increase of 7.5% and a maximum of 15%. The Civil Pensions Stabilization Account, which is partly funded through deductions from pension contributions of active employees, will not be able to carry this increased burden fully, and therefore I propose a supplementary provision of R15 million to that account.

(c) Compensation for occupational diseases, where such is payable from the Exchequer, will also be increased. Details are given under the Vote: Health and Welfare.

6.3.2.5 Development expenditures

(a) Development Bank of Southern Africa

Our continued support for the Bank finds expression in a contribution of R250 million to its Development Fund, the taking up of a further R30 million in shares and a payment of R2 million to compensate for South African income tax paid by the Bank’s staff. Normally the staff of international institutions are not subject to local taxation. The total package is thus 47% higher than for 1984-85.

(b) Bilateral regional assistance and development

Apart from the multinational development aid provided via the Development Bank, further amounts have been included in the Estimate of Expenditure for regional development, the development of self-governing
national states and of independent national states, for further consolidation of states, and for South West Africa.

These amounts totalled R2 839 million in 1984-85 and will require R3 610 million next year, an increase of over 27%.

The magnitude of this increase indicates the Government’s desire to see meaningful development in all regions that are not fully sharing in the benefits of the highly developed areas in Southern Africa, and should go a long way towards providing more employment opportunities where the need is the greatest. At the same time, however, we will increasingly wish to be assured that the amounts spent are not devoted to low priority current expenditures and projects; to that end strenuous efforts are now in train to move from a system of blanket aid to one of mutually approved project aid, embodying the necessary controls.

6.3.2.6 Employment programmes
The Government is aware of the increase in unemployment caused by the downturn in economic activity, and—in line with the White Paper on Strategy for Job Creation tabled last year—is addressing the question on a broad front. A package has been devised for short-term relief, including special employment opportunities provided by public bodies and for which R27.5 million was made available in previous financial years; payment of unemployment benefits of nearly R105 million in 1984; and free training, at a cost of nearly R4 million, for 9 250 workseekers.

For 1985-86, R100 million will be set aside for the continuation and extension of short-term work creation and relief programmes in those regions and areas experiencing severe unemployment. In launching these programmes the public bodies involved will take due note of regional differences and regional development strategies.

6.3.2.7 Small Business Development Corporation
Small businessmen in both the formal and informal sectors are playing a vital role in providing employment opportunities. In order to tide some of these entrepreneurs over a difficult period, an amount of R30 million was made available in the Additional Estimate for 1984-85 to the Small Business Development Corporation.

Over the past two years, amounts have also been allocated to the Special Pioneer Projects Fund of the corporation to finance job creation projects, including mini-loans to the informal sector, pioneering projects of an experimental nature, and property development projects in the independent and the self-governing national states.

Following the favourable results of these projects, I wish to propose that the surplus of R5 million transferred from 1984-85 be used to make available to the Small Business Development Corporation further funds for this purpose.

6.3.3 Own affairs

6.3.3.1 Pensions and welfare
Consistent with the decision to exclude from the announced austerity measures the service bonuses of lower-paid employees in the Public Service, the Government has decided to afford relief to all social pensioners. Funds have, therefore, been allocated to the Vote Co-operation and Development and to the Votes of the three Administrations for Own Affairs for improved pension and welfare benefits for all population groups.

An amount of R106 million has already been provided for this purpose in the printed Estimate but, following representations made, it has been agreed, as a supplementary proposal, to include a further R44 million for the purpose of achieving parity in the money increases involved next year. Detailed statements will be made in the three Houses by the Ministers concerned immediately after my address.

I would be neglecting my duty if at this stage I did not stress that an increase of this magnitude will entail an annual expenditure of approximately R300 million. This is nearly equivalent to the revenue generated if general sales tax is raised 0.5%. On account of the distressing situation many aged persons find themselves in today this act of meaningful relief is justified. But there is no doubt that gestures of this size can only be repeated if the full brunt of the increase is not carried by the Exchequer and therefore the taxpayer alone, but is also shared by the employee in the course of his active working
life, especially through contributions to one form or another of retirement benefit.

6.3.3.2 Education

In the November 1983 White Paper on the Provision of Education in South Africa, the Government clearly defined its stance on education policy. This statement of policy contained an undertaking to pursue the goal of equal opportunity in education regardless of race, colour, creed or sex. This undertaking is contained in the first of the eleven principles for the provision of education embodied in legislation during the previous session of Parliament, and forms part of the framework within which policy for the financing of education is formulated.

Considering that last year there were 1 016 000 White, 789 000 Coloured, 233 000 Indian and 4 029 000 Black children at school within the boundaries of the Republic; that the combined total of 6 067 000 children will rise to about 11 600 000 by the end of 1984 and, further, that the number of pupils qualifying for university admission will rise from 42 000 in 1984 to approximately 200 000 by the year 2010, it is clear that the amounts to be spent on education over the next two to three decades will be massive.

6.4 Financing proposals

After taking into account the supplementary expenditure proposals amounting to R164 million, expenditure for 1985-86 will amount to R30 892 million, which is 13,6% above that for 1984-85. If the structural adjustment mentioned earlier involving a net amount of R599 million is excluded from this total—as it should be for purposes of comparison—then the increase in total expenditure is 11,4%, well below the current inflation rate.

Although total expenditure is much reduced in real terms in comparison with the 1984-85 financial year, revenues on the existing tax base amounting to R26 585 million will still be insufficient to finance the budgeted expenditures. On this basis the deficit before borrowing will be as much as R4 307 million or some 3,7% of the expected gross domestic product.

It is imperative that this Budget should contribute towards economic recovery, lower inflation and meeting the requirements of sound financing cited before, notably, that current expenditure be not financed by loans. Any deficit of this magnitude will not meet the criteria and will in fact exacerbate our present unbalanced “mix” of fiscal and monetary policy measures. The deficit substantially exceeds the total of our capital expenditure and must be brought down to more manageable proportions by first raising additional revenue before the remainder can be borrowed.

6.5 Additional taxes

There is then unfortunately no alternative but to seek additional revenue by proposing further taxes. In doing so we are fully aware of the disadvantages of increasing taxes when the economy is in a downward phase. However, having done everything in our power to cut expenditure to the bare minimum, our next best option is to finance such expenditure in a sound and responsible manner.

This approach will contribute towards getting our economy in shape again and will advance materially the date when sound economic growth can be resumed. It is impossible
to overemphasize the truism that taxation should not be seen as a punitive measure, but to finance the functions and services that benefit the community at large.

After dealing with the additional tax proposals though, good news will follow in the form of various proposals for relief, particularly for senior citizens.

We look at customs and excise first.

6.5.1 Customs and Excise

6.5.1.1 Ad valorem duty on imported cars

Motor cars imported in a built-up condition at present attract customs duty of 100%. There has been a substantial increase in imports of such cars in recent times, due mainly to the relaxation of import control but no doubt also aided by the favourable treatment of fringe benefits. As these cars fall very largely into the luxury class, I propose that the customs duty be increased to 125%. This could also help the sales of locally produced cars.

The additional revenue for 1985-86 from this source is estimated at R10 million.

6.5.1.2 Video cassette recorders

Although relatively modest at first, sales of these recorders have risen very sharply in recent years and contributed to a further drain on the already stretched current account of our balance of payments without making a significant contribution to our revenues. In these circumstances I propose, for fiscal purposes, that the ordinary customs duty of 10% be increased to 15%, in addition to the ad valorem excise duty of 35% applicable now.

This should yield some R5 million in 1985-86.

6.5.1.3 Ad valorem customs and excise duties on office machines and certain electronic devices

I wish to propose next an ad valorem excise duty and an ad valorem customs duty of 10% on office machines and certain electronic devices as defined in my taxation proposals.

The revenue for 1985-86 is estimated at R100 million.

6.5.1.4 Petrol

Petrol derived from imported crude oil is subject to an excise duty of 10,25 cents per litre, whereas for petrol derived from coal the duty is only 9,337 cents. The difference of 0,913 cents has served to protect locally produced synthetic fuel, but in view of the recent sharp increase in the landed cost of imported fuel, it is now evident that these producers no longer need this protection and that the duty on petrol from coal can be at least equalized with that of other petrol. I propose then that the excise duty on such petrol be increased to 10,25 cents per litre.

This will yield some R26 million for 1985-86 without raising the pump price of such fuel.

6.5.1.5 Implementation

All increases in customs and excise duties take effect immediately and apply to all goods that have not yet been cleared for home consumption, that is goods not yet removed from the storage warehouses and premises of manufacturers licensed with the Commissioner: Customs and Excise.

Mr Speaker, in terms of section 58(1) of the Customs and Excise Act, No 91 of 1964, I now table for consideration by Parliament the formal taxation proposals on customs and excise duties.

Since all the increased duties are levied at the point of import or manufacture, there is no justification whatsoever for merchants to increase the prices of stocks inventoried to them at the old rates of duty. In the present economic climate I therefore rely on such merchants to adjust their prices only on new stocks. Consumers should expect and insist that the retail prices of all goods concerned should not be raised by more than the increase in duty.

The higher customs and excise duties proposed should yield R141 million in 1985-86.

6.5.2 Inland Revenue

6.5.2.1 Individual income tax

In my 6 December 1984 announcement on fringe benefit taxation I pointed out that the raising of the thresholds for the maximum marginal rate would result in a loss of revenue, which would be only partly compensated for by imposing an overall surcharge of 5% on assessed tax.

I emphasized, however, that this surcharge would depend on the Exchequer's
position in the new year as well as on the interim recommendations to be made by the Margo Commission in this regard.

The Margo Commission has indeed since then proposed a longer phasing-in period for car benefits and soft loans, recommendations which were accepted by the Government. The further loss of revenue from these concessions as well as general revenue requirements necessitate an increase in the surcharge on tax payable from 5% to 7% for individuals regardless of age. I propose however that this surcharge be payable only on the amount by which a person's net tax, as calculated according to new tables, exceeds R750.

The additional revenue resulting from this extra 2% surcharge is estimated at R120 million for 1985-86 and R135 million in a full year.

6.5.2.2 General sales tax
Any taxation system should reflect a reasonable balance between direct and indirect taxation. I have proposed certain increases in direct taxation; sales tax is a recognized form of indirect taxation, and to meet our fiscal requirements we shall have to turn to this source as well.

I thus propose that the rate of general sales tax be increased to 12%. We have no option but to allow the business community a reasonable period within which to prepare for this change, and the increase will therefore take effect from Monday 25 March 1985. I must mention that the numerous requests for further exemptions of particular food items have all been reviewed in depth, but that it has regrettably not been possible to extend the list of existing exemptions.

This proposal should yield an additional R1 220 million for 1985-86.

6.5.2.3 Income tax on companies
In the case of non-mining companies I propose that the rate remain unchanged at 50%.

As to mining companies, their taxable income is determined according to special rules in terms of which capital expenditure is deductible in full in the year of assessment in which it is incurred, resulting in a deferral of tax on current profits. Since the bulk of the economy and the people of South Africa have had to tighten their belts, it seems appropriate to call upon these companies to make a special contribution to our tax revenues by means of a surcharge on their tax.

I accordingly propose a special temporary additional surcharge of 5%, over and above the present 20% surcharge, on all gold and diamond mining companies. The yield expected for 1985-86 from this source is R91 million.

I also propose a special surcharge of 15% on all other mining companies which will raise their normal tax rate to 57.5%, commensurate with the new average rate for the gold mines. Some R33 million is expected from this source in 1985-86.

6.5.2.4 Levy on producers of synthetic fuels
It is Government practice to determine local fuel prices. In its price determination the Government takes into account the rand-dollar exchange rate, since imported fuel is quoted in dollars. The latest sharp increase in domestic fuel prices pegged them at levels that are placing local synthetic oil-from-coal producers in a particularly favourable position. I therefore feel it would be only reasonable to call on these companies also to make a contribution to the fiscus in this difficult year ahead.

I thus propose that a special temporary levy be imposed on these companies, details of which will be negotiated with the companies concerned and embodied in a formal taxation proposal to be tabled later.

This levy should yield R70 million in 1985-86.

6.5.2.5 Long-term insurers
In the absence of any final recommendations by the Van der Walt Committee on the basis of taxation of assurers, a matter which now also falls to be dealt with by the Margo Commission, I should naturally prefer not to suggest any alteration to the tax basis as such. But in the light of our fiscal requirements for the coming year, and with a view to spreading the burden as widely as possible, I propose a special levy on life assurance business for years of assessment ending during the period 1 April 1985 to 31 March 1986. This levy will amount to an effective 7.5% tax on gross income as calculated in terms of section 28(1) of the Income Tax Act, and should yield R77 million in 1985-86.
6.5.2.6 Banks

In considering how the burden of taxation should be spread equitably among the various sectors of the economy one should look for a contribution by each major sector capable of such effort.

For some years the banking sector has enjoyed a considerable measure of immunity from taxation mainly by reason of the provisions relating to financial leases and suspensive sales, although distributable profits have certainly been earned out of which dividends have been declared.

These concessions have undoubtedly contributed to our economic development, but the present situation demands a review of priorities to ensure that fiscal requirements be met. I propose thus a special levy on all banking institutions registered in terms of the Banks Act, at the rate of 0.25% of the average amount of all deposits held in the Republic by each institution at the end of each quarter during the calendar year 1984.

This levy, which should not exert upward pressure on interest rates, will be payable in instalments and is expected to yield R100 million in 1985-86.

6.5.2.7 Total additional taxation

The additional taxation proposals involve R141 million for Customs and Excise and R1 711 million for Inland Revenue.

6.6 Tax concessions

I am thankful to be able to announce certain tax concessions to alleviate undue hardship and correct inequities.

6.6.1 Ad valorem duty on motor cars

Notwithstanding the present tight fiscal position I feel that a correction is warranted in the case of the differentiated ad valorem duty imposed last year pending a decision on a fringe benefits tax and which entailed an ad valorem excise and customs duty of 1% on motor cars with a neutral value not exceeding R11 500 (which corresponds with a retail value of approximately R15 000) and of 2% on those with a neutral value exceeding R11 500.

The fact that fringe benefits are taxed with effect from 1 March 1985 removes the necessity for a differential rate, and it was thus decided to reduce this duty to 1% all round.

The relevant Government Notice will be published tomorrow. This applies to all cars concerned which by tomorrow have not been entered for home consumption.

The estimated loss in revenue for 1985-86 will be R12 million.

6.6.2 Income tax on individuals

(a) Unmarried taxpayers

On 6 December 1984, as a result of the phasing in of fringe benefit taxation, I proposed new rates of tax whereby the threshold for the maximum marginal rate would rise from R40 000 to R60 000 for a married person and from R28 000 to R32 000 for an unmarried person, but with a 5% surcharge in each case.

Although most unmarried persons certainly stood to benefit from this step, it was found that in some cases the relief granted to an unmarried person compared unfavourably with that enjoyed by a married person.

The tax proposals being tabled today have thus been framed so as to provide further relief to unmarried persons, insofar as the maximum rate of tax will now apply to them only at R42 000, which is proportionately the correct figure.

(b) Thresholds

In addition I wish to propose that the thresholds at which tax liability commences be raised as follows: Married person, by more than 36% from R4 384 to R5 988. Unmarried person, by more than 18% from R3 576 to R4 232.

This will be done by increasing the basic rates of tax and at the same time increasing the primary rebate from R460 to R880 for a married person and from R380 to R620 for an unmarried person.

The loss of revenue resulting from relief to unmarried taxpayers and from raising the tax threshold is estimated at R49 million for 1985-86 and R56 million for a full year.

(c) Senior citizens

Many elderly people find themselves in difficulties as a result of the ravages of inflation on retirement incomes. Unlike younger persons they are very often not in a position to augment their incomes and I am often asked: "Why must I pay tax in my old age after a lifetime of hard work during which I paid my taxes?".
Of course, during their working life their pension contributions were in fact exempt from tax, and the fundamental yardstick for measuring tax liability must remain current income, be it from pensions or from whatever source. Nevertheless, we do owe it to our senior citizens to assist them to retain their financial independence for as long as possible, and I therefore propose that the present tax rebate of R300 for those over 70 years and R120 for those over 65 and under 70 years of age be replaced by a uniform R500 rebate. The rebate for the 60-64 age group will remain at R120.

In the case of a married person aged 65 or over, the net effect of the general rates adjustment and this increased rebate, is to raise the threshold at which he becomes liable for income tax by nearly 70%, from R5 384 to R9 113. For an unmarried person in this group the threshold is raised by over 60%, from R4 576 to R7 357.

The loss of revenue is estimated at R20 million for 1985-86 and R23 million for a full year.

(d) Medical expenses

Following the substantial increases in medical expenses during the past year I propose that the deductions from income permitted under the Income Tax Act for the 1986 tax year be increased as follows: Married persons under 60, from R1 000 to R1 500; Unmarried persons under 60, from R750 to R1 000; Married persons over 60 and under 70, from R3 000 to R4 000; Unmarried persons over 60 and under 70, from R2 250 to R3 000. As to those over 70 years of age, there is already no ceiling to their medical deductions.

The loss of revenue for 1985-86 is estimated at R1 million and for a full year at R3 million.

(e) Incentive to save

At present R100 of income by way of interest and dividends is exempt from tax. The exemption was aimed at avoiding numerous small assessments in the case of those taxpayers falling under the final deduction system; but it could well be extended for another purpose, namely the encouragement of savings, since our personal savings ratios are disappointingly low. Interest rates on modest savings rarely offer an attractive return, and I therefore propose that, with effect from the 1986 tax year, an additional incentive be granted by way of an increase in the exemption limit to R250. But the exemption will henceforth apply only to interest earned. Although this concession appears small and may be regarded as inadequate by some, its financial impact on the fiscus is rather severe and unfortunately precludes a larger exemption under prevailing circumstances.

The loss of revenue is estimated at R33 million for 1985-86 and R62 million for a full year.

(f) Initial allowances

In accordance with the decision announced two years ago the initial allowance granted in respect of new or unused machinery or plant used in a process of manufacture will, where such machinery or plant is brought into use on or after 1 July 1985, be increased in consequence of the withdrawal of the investment allowance.

Last year it was indicated that it would be necessary to adjust the quantum of the allowance to ensure that the sacrifice to the fiscus was not unduly increased as a result of increases in the company rate of tax, and I therefore propose that the initial allowance be increased from 25% to 50% instead of the originally indicated 55%, in the case of such machinery or plant. For the time being, until the Margo Commission has reported on this, the enhanced allowance will be limited to new or unused machinery or plant brought into use by 31 December 1985.

I also propose that the initial allowance for buildings be calculated at the rate of 17.5% of the relevant cost and that the allowance be limited to a building the erection of which commences not later than 31 December 1986, provided the building is brought into use not later than 31 December 1987.

The total of these income tax concessions amounts to R103 million for 1985-86 and to R147 million for a full year.

6.7 Net additional taxation

The total additional taxation for 1985-86 is R1 852 million, while the total concessions amount to R115 million, leaving a net amount of R1 737 million.
6.8 Financing of the deficit

The proposals outlined today will raise the total revenue for 1985-86 to R28 322 million and reduce the deficit before borrowing to R2 570 million, or only 2,2% of the estimated gross domestic product.

In these circumstances, and to provide for an adequate cushion for either a lower level of revenue than estimated or a small unavoidable increase in expenditure due to quite unforeseen events, I propose transferring R400 million to the Tax Reserve Account.

Even if this amount is to be spent in full, the deficit before borrowing will still be below R3 000 million, or 2,5% of gross domestic product. But a caveat should be added here in respect of the possible application of the Tax Reserve Account balance: Although we do not yet know the exact quantum of foreign exchange losses that will be borne by the Reserve Bank for account of the Exchequer this year, the amount is bound to be substantial, and sooner or later will have to be brought to account. These amounts have indeed been disbursed by the Reserve Bank and added to spending totals.

To the final deficit of R2 970 million an amount of R1 695 million must be added for loan redemptions, leaving a financing requirement of R4 665 million, which I propose to cover as follows:

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>Amount (Rm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus from 1984-85</td>
<td>5</td>
</tr>
<tr>
<td>Public Investment Commissioners</td>
<td>2 500</td>
</tr>
<tr>
<td>Reinvestment of maturing stock</td>
<td>809</td>
</tr>
<tr>
<td>Newstock issues</td>
<td>716</td>
</tr>
<tr>
<td>Tax Reserve Account</td>
<td>85</td>
</tr>
<tr>
<td>Total Non-marketable securities (Treasury Bonds and National Defence Bonds)</td>
<td>200</td>
</tr>
<tr>
<td>Foreign loans</td>
<td>350</td>
</tr>
<tr>
<td>Tax Reserve Account</td>
<td>85</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>R4 665</strong></td>
</tr>
</tbody>
</table>

I wish to draw the attention of hon members to the fact that the amount of new stock to be raised on the domestic capital market, namely R716 million, is not only considerably less than that provided for in last year's budget, but also substantially below the total amount raised from this market during 1984-85. As some of the institutions now brought back onto the budget had previously raised substantial amounts in the capital markets in their own name, the amount of R716 million now proposed to be borrowed by the Exchequer for 1985-86, which includes the requirements of these institutions, is modest indeed and indicates a greatly reduced total demand on the capital market.

This financing package will place no upward pressure on interest rates—in fact, quite the opposite: One can confidently look forward to this low level of State activity in the capital market contributing towards a lower interest rate structure, with all its attendant blessings for the home-owner, the businessman and the economy as a whole.

7. COMPARATIVE STATEMENT OF STATE REVENUE ACCOUNT

As is customary, a comparative statement of the Government's accounts is subjoined in the printed version of the Budget Speech.

**COMPARATIVE STATEMENT OF THE STATE REVENUE ACCOUNT**

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Revised figure 1984-85</th>
<th>Budget figure 1985-86</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>Rm</td>
<td>Rm</td>
<td>Rm</td>
</tr>
<tr>
<td>Printed Estimate (RP 2—1985: First Print):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Plus:</strong> Supplementary appropriations in respect of:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Civil Pensions Stabilization Fund</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions for employment creation and relief programmes</td>
<td>100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
8. CONCLUSION

8.1 Short-term impact of the Budget

The Budget I have presented today is not "neutral" but designed to play its full part in our present short-term strategy of according priority to reducing inflation and strengthening the balance of payments. As such, it fully meets the basic conditions I specified earlier.

Firstly, the comparable rate of increase of Government expenditure for 1985-86 has been limited to only 11.4%, that is to below the current rate of inflation. In other words, there will be a decrease in real terms.

Secondly, no current expenditure will be financed from loans in the coming year, as the deficit before borrowing—even including the transfer to the Tax Reserve Account—will be some 5.4% below the budgeted capital expenditure.

Thirdly, the deficit before borrowing has been limited to R2 570 million, which is considerably below the 3% of gross domestic product originally set as our target. In fact, on the basis of the actual taxation and expenditure proposals, it is no more than 2.2%. Even if provision is made for the amount transferred to the Tax Reserve Account to cover possible lower revenue collections or overruns in expenditure the deficit should prove well within our means without resort to bank credit or putting upward pressure on interest rates. Indeed, as indicated earlier, net new issues of Government stock in the 1985-86 year should not amount to more than R716 million, a figure substantially below the R1 600 million raised this year.

By meeting these various conditions, the Budget should contribute fundamentally towards the declared objectives of curbing spending, improving the balance of payments, strengthening the exchange rate of the rand and the net gold and other foreign reserves, and, most importantly, reversing the rising trend in the rate of inflation. In this manner, it will pave the way for more rapid and sustainable economic growth.

The tax proposals in today's Budget should be viewed in their proper context, namely as constituting part of our short-term fiscal policy designed to deal with the present abnormal economic situation. They stand in contrast to our longer-term financial strategy, which is designed, among other things, to reduce the tax burden in the interest of private sector growth.

To the best of our knowledge, the Government has not previously set out in such detail its longer-term fiscal and monetary principles and strategies aimed at the attainment of its longer-term economic goals. But it has been thought fitting to give this exposition in order to place the influence of the present economic conditions on our Budget in a warranted and proper perspective.

South Africa shines brightly as a land of great promise, offering the worker, the entrepreneur, the investor, and the loyal, responsible and peace-loving citizen, their due rewards in the longer term. All we need is the will and the state of mind to make it work.

We have an appointment with the future. This Budget must help us to keep it.

TABLING

Mr Speaker, I now lay upon the Table:

(1) Estimate of Expenditure to be defrayed from State Revenue Account during the financial year ending 31 March 1986 [RP 2—85];

(2) Estimate of Revenue for the financial year ending 31 March 1986 [RP 3—85];

(3) Statistical/Economic Review [WP B—85];

(4) Comparative figures of revenue for 1984-85 and 1985-86;

(5) Taxation proposals [P 1—85].

Bill, Budget Speech and papers tabled referred to Standing Committee on Finance in terms of Joint Rule 41.
This is a transcript of a telephonic interview with Mr. Barend Du Plessis done by Catherine WynSculley on 3 August 2003.

[Preliminary remarks]

Catherine WynSculley: Thank you for agreeing to speak with me. I know it’s been a long time since 1985, and a lot of water has gone under the bridge; I really appreciate that you’re casting your mind back so many years.

The 1985 speech seems to have some elements that are ahead of its time, and I was wondering if you could comment on how the speech was constructed?

Barend du Plessis: I personally wrote the introduction with no real input from anybody, that was my personal statement and the conclusion was always mine first and then I had some input from various people in the department that helped me. And if they wanted something specific accentuated in the conclusion, then we included that. But the introduction was my personal political statement, at all times.

That is exactly what is so important to note, because I’m particularly interested in the place where you say that the Budget Speech is a “vehicle by means of which the government of the day justifies, articulates, and pursues its goals for the country.”

Yes.
And that is one of the core tenets of my thesis...

Really?!

Yes! I quote you in the introduction to my thesis.

[Laughter]

You present that message differently a few times in the 1985 speech, and that encapsulates a core view in my thesis. Because, if you look at the way in which the Budget Speeches are structured, you will see that it falls into the category of what we call “epideictic” rhetoric. And before we go on, I wanted to give you some background on the rhetorical theory that I’m using.

The rhetoric that we’re using is based on what Aristotle wrote about 2500 years ago, in a book called “On Rhetoric”; and he wrote other books as well, called “Poetics” and “Topics”. And it was all about writing and public speaking, which was integral to Classical Greek culture. So, what we have of Aristotle’s work, is what is the basic texts for the study of Rhetoric.

And the other theorist we use is called Chaim Perelman, who together with Lucie Olbrechts-Tyteca, wrote a book in 1969 titled “The New Rhetoric” which we use as a text book today. And one of their contributions is that when you are doing a rhetorical analysis, you should include the context or ‘rhetorical situation’.

But it is Aristotle that divided the speeches into different rhetorical types: forensic rhetoric which is judicial and used in the courts, deliberative rhetoric where two opposing sides argue the case, and then there is epideictic rhetoric where the idea is to bring people together, uniting them under a common vision (for example, a funeral oration).
Will you also be studying Cicero? I ask because I studied Latin at school until matric, and always thought Caesar was a hero, until I read Marcus Tullius Cicero. In the little that I’ve read of Cicero, I do not see many philosophical statements about the art of rhetoric, but his work is an example of rhetoric in its brilliance...

But I believe that knowledge is really wasted if a person doesn’t convert it into wisdom. And in my view when you are a person that is required to do some rhetoric from time to time, that means that you’re in a position to shape and influence people’s thoughts and opinions. And I think that you must be a person to accumulate as much knowledge as possible and then to convert it into wisdom, otherwise your rhetoric will have no practical application.

That’s very true, because Aristotle actually has a term for what you’ve just described, it’s called ‘ethos’ which he requires of people, who speak the truth. And it comes across in the speech when the speaker is seen to be professional, seems to know what they’re talking about, and what you just said now, if somebody does not have the ethos then they’re not credible, they don’t have that wisdom to back them up.

Now you can understand why, in my small world, every time I wrote a political statement, and left the scientific quantified economic aspect to the officials. Because I’m not a trained economist, and I never intended to become one, because in my life, I’ve had enough input from a lot of economists, and never ever found any common ground with them! So if you consult with them, you always have the challenge of all the various interpretations and statements. That was the technical aspect, and normally it presented a consensus amongst a lot of highly competent and qualified economists.

Thank you, that was part of what I wanted to ask you, that is to say, what was the process behind the budget speech; how were they written?
Now, Catherine, if you’re talking about the budget, it begins quite early, if we’re
talking about my time and the way I did it, I can’t comment on anybody else, because
I never was a deputy minister of finance. I had a very revered and highly respected
predecessor, Owen Horwood, but I was never involved with it. It was a case of *tabula
rasa*, it was totally a clean table for me, and I came in, and what I did was found the
Committee for Financial Policy and Strategy, existing in liaison with the treasury, my
ministry, and the Reserve Bank. And they met quarterly in the Reserve Bank, but it
wasn’t a formalised thing, it was mainly to encourage a little debate. I studied some
notes on it, there weren’t any copious notes or detailed minutes. So what I did was
take the committee in 1984, consisting of a few top people from the Reserve Bank
and the Department of Finance, and expanding it with a few more economists, taking
more of them from the Reserve Bank, and also some people from Planning. I literally
almost forced them to go into debate. I transferred the whole thing to my department,
and I appointed a senior person to keep minutes. And that committee met on a
monthly basis to evaluate the economic situation and to make some predictions, and
even to recommend some short term adjustment policies or whatever. In other words,
I had this invisible committee to debate the issues without any inhibitions, and that
was quite a problem, getting people from both sides, pretty much conditioned into
hierarchical behaviour, to come out and say that they beg to differ, if they wanted to
differ from the governor of the Reserve Bank. And this process throughout my career
as Finance Minister meant a lot of work to me, but that shaped the budget in terms of
structure and policy, long before you got down to quantifying.

*Thank you for that insight. That comes back to the first two questions on my list: how
did you become the Finance Minister?*

I got a phone call, about 2 or 3 years before I became deputy minister, late one night
from a senior minister, to say that I’ve been appointed Minister of Economic Affairs,
out of the blue. And that I should prepare myself for a phone call from P. W. Botha
telling me that. The phone call never materialised because Dawie de Villiers was
appointed. I don’t know what the structure of the appointment was, but I seemed to have missed the boat at that time. I went straight to Pik Botha, and said, listen my friend, I said that I was leaving politics and going back to IBM because I was in tune with data processing as IT was known then. And then he appointed me director-general of the SABC, because of my previous experience at the SABC. And I said I would do that for the government. And then he appointed me chairman of a small committee to investigate broadcasting in southern Africa, or the rationalisation thereof, in order to get back into the broadcasting vibe. And when I was ready to go, Pik called me in, you’re not going to the SABC anymore – and I couldn’t believe it, I just wanted to go back to IBM and I could go back anytime. I could have made a lot of money, even internationally – but I said to him that he had lured me back from that green field, but he said that no, I was going to be Deputy Minister of Finance, and you were going to succeed the Minister of Finance in a year and a half’s time. Then I ended up being Pik’s deputy instead of Deputy Minister of Finance. I knew a long time before that I was going to be Minister of Finance when Owen Horwood retired. Eventually that happened in August 1984. Prior to that I had been appointed to the so-called, excuse me, “black education and training”. I served for the magic nine months; I had incredible experiences then, with the ANC Youth League in my house, and so on.

For example, when there were riots in Atteridgeville I got six student leaders from each of the six schools, and I had all 36 of them in my minister’s house in Pretoria, only me. I gave them coffee and I had a discussion with them. And we sorted out the problem. Until a police-man ran over a child, and you know what, their most important problem was, because I listened to them, their first problem was not inadequate teaching facilities, but teachers messing around with their girlfriends. I give you my word of honour that is the truth. And as a result of that inter alia, and the riot that broke out when school boys found a teacher that was in bed with one of their friend’s girlfriends, during that riot the policeman went onto the school grounds with
his police car and he ran over a child and killed her, and then I had to close those schools.

_When you went into the job, what was your personal vision for the job, what were your concerns and how did you see as your strategic role, how did you perceive that job?_

I viewed that job as a great personal challenge. I am not a trained economist; I’ve got a BSc in statistics and mathematics. I then taught mathematics for three terms. Then I took a BCom and I was in the middle of my second year when I transferred into the computer section, in banking and finance. I then worked for 6 years at IBM in finance. I got extensive training in banking and finance overseas. In other words, I had knowledge of macro-economics and I went into that job with one mission for myself: there was only one way that we could solve the political problems of South Africa, and that is to get the economy firing on all 8 cylinders. And prior to that, not a single Prime Minister understood economics, and if you wanted a grandiose plan like separate development put into place, then there’s only one way you can do it, and that’s to have a strong economy. For me, the economy is just the sum-total of actions of people satisfying their basic needs. And there’s no way that you can programme that. So if you want to channel that into some political framework, then you must basically get the economics right. You can’t impose it from the top down; you have to work from the bottom up. And that is how I went into it, I tackled it with great gusto and a dedication to get fundamental monetary and fiscal policy in harmony, and to get both of them right as far as I could. But I knew that it would be a tremendous challenge. I was very young, I was not politically influential, I didn’t have another portfolio where I had proven myself. Many people said to me that you had just been appointed to be the fall guy; they said that I would get my instructions to give so much money to defence or whatever and that I was just going to be the fall guy. And I said “no way”. I wasn’t dependent on politics. I didn’t have a profession, but I could go back into computers, not with IBM, with anybody else, because I understood a lot
about data processing at that stage. And so, that’s how I entered it and that’s how I tried to do it. And right from the beginning, and I repeated it from time to time, not as frequently as I’d hoped, in the first half of the year, down in Cape Town, I would privately host a gathering, with no publicity, nothing, 5, 6, 7, of the major economists from banks and academics and people from business, for a private dinner in Groote Schuur or wherever – just me and them. In the second half of the year, I’d do the same in Pretoria. And I would listen to them arguing the whole night, in order to obtain that perspective, that’s how I did it.

Well, that moves us on to the next question, considering that 1985 was a tough year, you mention in your speech that there was a “painful process of belt tightening and adjustment”; there were internal and external pressures, especially in terms of reduction of the civil service budget and the defence budget in particular. And you explain that at length in your speech. I wondered if you had a comment on that?

What I really tried to do was try, and I say this with respect, to educate or inform is perhaps a kinder word, my cabinet colleagues about the fundamentals. What I did was, and you will note in the introduction that I thank the Prime Minister for it: I got Gerhard de Kock, the governor of the Reserve Bank, and I got Chris Stals, to come and inform the cabinet, for the first time in the history as far as I know, somebody carried a flip chart stand into the cabinet room, so that Gerhard could write on it and literally lecture almost. And I personally did that on several occasions, and on one occasion when I walked in with my flip chart one of my senior colleagues said to me “Are you at it again?”

[Laughter]

But what I tried to do was inform people. And I continued for a year until P. W. Botha abruptly stopped it, he instructed me not to carry on with it any longer, and that was that.
I was chairman of the economic affairs committee and the cabinet committee consisted of directors-general of all the relevant departments so it was quite a hefty meeting. I got a lot of prominent businessmen and economists to come to that cabinet committee and to inform, "educate" both cabinet ministers and top officials into the fundamentals of economics as far as government action influences the potential for economic growth and as far as government action influences variables such as inflation and interest rates and so on. And on one occasion there was someone who spoke critically of the government, and P. W. Botha abruptly stopped this saying that there is no way that ever again we will have an outsider enter the cabinet committee. I tried to instil into my cabinet colleagues and their executive top officials an understanding of the short, medium, and long term effects of government spending. And the devastation that it causes if government over-steps it’s financial means. And I was not very popular.

I can imagine the criticism you came under... Moving on to the end of your speech, you’ve got a very nice statement, “We have an appointment with the future. This budget must help us to keep it.” I wanted you to say more about the vision for the future that you had.

That was soon after P. W. Botha had made the statement “adapt or die,” and he was pretty sincere with that. I had no question in my mind that the verligte viewpoint would prevail and that we would move rapidly to resolve the issue of black franchise. We had made some preliminary progress with the other two Houses of Parliament, in the tricameral parliament system, but the main issue was how to resolve black representation. And the whole question of urban living blacks and those blacks living in what was then called the homeland areas. I had a great deal of excitement for the whole issue of taking development to where the resources are. And on a study trip to Britain as a guest of their government, prior to my appointment to cabinet, and also in the United States a few years prior to that, I made a very intensive study of

1 An Afrikaans word meaning enlightened.
decentralisation. And [diluting] the people into areas where the environment could bear their economic activity, and where the environment could support the creation of jobs for them. And not only in terms of basic services, but also in terms of resources which we have in South Africa, and I thought if we could get the economy right, then we could in fact do that, go the way that China went about it, first providing the secure economic base and then building on top of that political franchisement and political rights. I was absolutely dedicated to pursuing that with a great deal of energy. And therefore I said that I sincerely believed that we could progress dramatically into the future, if we had the economic support.

If I may add a note in the margin again, about two years ago, Mr. Mandela asked me to write for him my recollection of a meeting that we held; F. W. de Klerk, and myself and Mr. Mandela, I can’t remember who was with him, about the whole question of lifting of sanctions quite early in the negotiation period. Where I very strongly argued with Mr. Mandela that, “Please, we’re totally committed to the negotiation process. Let me say to you Sir, with great respect, whoever governs this country will not be able to do it and sustain a sound and stable government if the economy doesn’t support it. Why don’t we lift the sanctions now, so that when we’ve completed our negotiations, we’ve at least got the economy going again. We have a more relaxed electorate, economically speaking”. They wouldn’t do it at that stage. I had the same argument with Desmond Tutu at that time. I sincerely believed that we could support the best possible political solution if we had a strong and growing economy which we could achieve only on the basis of universally accepted principles.

You touch upon my next question when you say that you were trying to build trust and credibility with Nelson Mandela. Can you say more about the audience that you were speaking to when you delivered the 1985 speech?
I’ll be very frank with you: my very first audience was my cabinet colleagues. Let’s regard that as the first concentric circle in a series of concentric circles. Secondly, obviously, there were the Members of Parliament, and thirdly commentators, and fourthly the public at large. Because I wanted my cabinet colleagues to see that there is enthusiasm and support not only from my economic advisers that I parade into cabinet with their flip charts and their slides. But that if you can combine what I alluded to earlier, if you can see the absolute mutual dependence between a proper political solution and a decently growing economy and that a political solution is only possible if you have a decently growing economy, and that you can only have a decently growing economy if you have a good fiscal and monetary policy in harmony with each other. I wanted them to see that it is not worthwhile to take a short term politically opportunistic view when you talk about the Budget. Because you must remember one thing, Catherine, that all cabinet ministers achieve in the eyes of the public at large, the eyes of the electorate, in the eyes of commentators, if they can spend as much money as possible on their portfolio. The only minister that achieves success in his portfolio by getting people not to spend money is the Minister of Finance!

[Laughter]

So in definition, by structure, you’re in the minority. If you don’t have the support of the President, then your own personal authority can never work. That is why the present situation works very well, because Trevor Manuel is the first Finance Minister in the history of South Africa who has the backing of, Thabo Mbeki, a head of state who understands the economy.

But, I had to please P. W. Botha, so I always had a billion set aside for him to put into defence. I had a strategy whereby I could be in the president’s good books to help me
cut back on the others, but unfortunately, and I say this with so much hartseer\(^2\) -
verstaan jy ‘n bietjie Afrikaans?

*Ja, ek verstaan Afrikaans.*

Mooi. Ek sê dit met soeveel hartseer, ek het soeveel moeilikheid gehad – we were in a
position of war in Angola, and we were in a sanctions situation. And F. W. de Klerk,
in the early 1980s, as a provincial leader, always said the teachers will destroy the
National Party base if we don’t give them increases. Or if we don’t give the civil
servants… but the defence budget could not be limited in a war situation, and they
were spending money all over Africa, which I didn’t know they were doing, that was
part of their secret fund. But you will see that education and salaries for civil servants
always featured as places of drastic overspending on my budget.

And that day when 5 people (8 votes) made the difference between me and F. W. de
Klerk becoming president of the country – my friends weren’t there that day! – when
I saw him privately afterwards, I said fine, I’m not going to oppose you in the next
round. But I would have liked to see one balanced budget, and he didn’t even honour
that.

*There are two questions that follow on from what you just said: if you had so much
opposition, how did you keep the civil and education budgets under control?*

In some respects we really succeeded, but other times it just exploded like a dam
under great pressure, like balloon that was over pressurised, and the overspending just

\(^2\) The Afrikaans is translated as follows:

Barend du Plessis: … with so much heartache - do you understand a little Afrikaans?
Catherine WynSculley: Yes, I understand Afrikaans.
Barend du Plessis: That’s very nice. I say it with so much heartache, I had to deal
with so much difficulty…
sky rocketed again. There’s no question that the inflation rate that I had to deal with at that time had been occasioned by over spending.

*Can I ask you an unfair question?*

You’re welcome; it won’t be the first time!

[Laughter]

*If you had won the votes, what would you have done differently or the same?*

As far as political negotiations, we would have gone exactly the same way, but I think in a different manner. And secondly, I said it then, if a minister over spent, I would have fired him and his director-general because I would have thatcherised them. Because, I believe, if you have a sound economy, as I said in that Budget, then you can have a budget that can give substance to your policies. And you can only do that if you have a strong budget coming from a strong economy.

You know, Catherine, I had many problems in my life because I, excuse me, I will use the word, I was known as a *kaffir-boetie*[^3], a person who had respect for people of colour. I don’t want to go into the details of the intimidation that I or my children had received because I was a *kaffir-boetie*...

I have made no bones about the fact my whole life that I am a *verligte*[^4]. I today still have the respect of a lot of people of colour, because I made no bones about the fact that God created us equal. I had no opportunity to negotiate with God before I was born (and I said that in Parliament), whether I had a black skin or a white skin. And for me to arrogate myself, to think that I was born superior because God gave me a

[^3]: An Afrikaner (or white person) that was sympathetic to black people.

[^4]: Enlightened person.
white skin and not a black skin, I think it is a disgrace in the eyes of God. That was my explicit point of view from the beginning.

And I had a respect for cultural differences, you can see in the 1985 speech, like van Zyl Slabbert, my opposition friend that I debated against in Parliament. He said that in Africa multicultural nations were held together like a bale of hay by a piece of wire and that piece of wire was anti-colonialism. When the colonialists had been chased out and the wire had been cut, the bale of hay collapsed into ethnic strife. I believed that ethnic strife had a political dimension which one had to accommodate in order to have the optimum political solution. I’m not saying the only, I’m saying the optimum. And I end this long sermon by saying that I and my friends would have been different in a sense that we have a history that we were verligtes that we wanted to do away with discrimination. F. W. de Klerk had no credibility because lifelong he was a verkrampte, he never ever made a single statement about leading leadership away from discrimination, until he had the power in his hands. Pik Botha and I and the rest of us, we survived motions of no confidence and we barely survived because of our verligte point of view. F. W. de Klerk went into negotiations with no credibility, and we pleaded with him to come into the negotiations, and he would never do that, he was not part of the negotiations. He was like a conductor sitting in the Union Buildings and the orchestra was playing on Loftes Versveld.

[Laughter]

You asked what I would have done differently, I would have managed the country financially totally differently, like Thatcher, I would not have tolerated overspending; like in Taiwan, if you overspent, then you’re gone, that’s why their economy did so well. I think we would have been able to negotiate from a better

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5 Person who was ill-disposed towards blacks.

6 Loftes Versveld is a sports field some kilometers away from the Union Buildings. The negotiations actually took place at the World Trade Centre buildings in Gauteng.
moral point of view, because we were not *verkrampt* and secondly, I would have had the top negotiators relinquish their ministerial positions. And F. W. de Klerk never used Pik Botha and he was the single best negotiator in the country. I would have used Pik Botha as the top negotiator.

*Amazing stuff!*  

Yes, and now we go back to the Budget!

[Laughter]

*No, no, we’ve come to the end of the interview; just one last question: do you find a difference between corporate presentations and speaking to Parliament?*

That is quite difficult to answer. When I started out, I taught for three terms, and then I worked at the SABC for 7 years, in the financial sector. I was in the support structure, not in top management. And then I was in the technical side of IBM and then in marketing. But I immediately became a director of large corporations, so my business exposure was at operational level and eventually at board level before I got into cabinet. And then I went into a public company called Sage.

I’m a Christian and I’ve always tried, whether I was a worker, a boss or a director, or whatever, to put those principles into practice, nobody’s perfect. But my own exposure, my own response, to any of these environments is always to be consistent. I have a very high moral standard in my own life.

Can I tell you, Catherine, in my time as Finance Minister, I got interest rates no longer controlled by cabinet. I inherited it from my predecessor, by accident, who got involved with consulting cabinet when interest rates were to rise. Interest rates were the responsibility of the Reserve Bank. And I was just involved from the point of
view of Chris Stals coming to me, because interest rates were managed (like now, in a way). In other words I knew, it happened a million times, I went to P. W. Botha, “Listen, Sir, I want to tell you that inadvertently a person can be responsible for a lot of corruption”. I could have been pretty wealthy, living in the Bahamas, making a fortune from knowing when the interest rate was going to change. But I work for myself now, I have a clean conscience. Changes in interest rates destroyed Tedelex.

I never expected anything from the corporate world. Afterwards, I was used at Sage for my judgement and technical expertise…

[Additional statements]

I used to listen to Baroque music when I was writing the Budget Speeches, Bach, Corelli, Vivaldi. I used to sit with my legs crossed, next to my wife in bed, in a yoga position, and work till 4am. I went through every word of the speech, correcting their language, making it into a more listener friendly style, with no technical jargon…

You must send me a copy of your thesis. Rhetoric is quite interesting to me, I am still very much involved in rhetoric, whether it selling ideas or selling chemicals. I am fascinated with your project.

Yes, I’ll do that, and thank you very much for your time.
PART 3

A Rhetorical Analysis of the 1993 Budget Speech
The 1993 Budget Speech was delivered in Parliament by Derek Keys, under the Presidency of F. W de Klerk, on 17 March 1993. It is a vibrant speech and is full of hope for the future; it is made in “the spirit of reconciliation” (Keys 1993: 4).

At that time in 1993, the apartheid government was negotiating with the recently unbanned African National Congress under the leadership of Nelson Mandela, to come to a peaceful political settlement, ideally with some power sharing. The negotiations were called the Convention for a Democratic South Africa (CODESA) and they were tough negotiations that broke down many times. But the economy and the violence\(^1\) had to be taken into account, because neither group wanted to take over a country that had been devastated (Barber 1994: 9), and so they had real reasons to rise above individual and party politics and forge on with negotiations, because every citizen’s future was at stake.

But the “miracle” of this period in South African history is that oppressors and the oppressed were able to sit down at a negotiating table and come to a negotiated\(^1\)

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\(^1\) For example, the conflict in Kwa-Zulu Natal saw large numbers of people die as a result of ANC and IFP faction fighting.
settlement, even if they were only a small elite group of people from both sides that created the rules of the settlement:

In the early 1990s contending elites in South Africa succeeded in establishing – far beyond expectations – a culture of negotiation. Negotiating forms proliferated, involving the government, organised capital and labour at a national level, and white councils, black civics, development agencies and civics in the municipalities (Glaser 2001: 220).

Prior to, and after, his political appointment, Derek Keys was a respected businessman and as Finance Minister he was seen to have positively steered the economy of South Africa in its first years as a growing democracy and developing country in Africa. Although this Budget Speech is the last of the apartheid government, but in an interview Mr. Keys said:

When I took the job [as Minister of Finance] it was on the basis that I would run an all-party economic policy, so even the result of the 1993 speech is the result of inputs across the political spectrum and including the ANC, and including COSATU, as a result of the formation of the National Economic Forum where the all-party discussions were played out (Interview-DK 2003).

Mr. Keys was appointed by Mr. F. W. De Klerk who was at that time the President of South Africa. Mr. Keys was chosen to be the Minister of Finance because of his reputation as a business leader amongst business people world-wide. However, even though he was a commercial leader, he had no political backing.

In an interview he said that he wrote his own speeches:

I never had a speech writer in either department. I was Minister of two departments, trade and industry and finance. And the Director-General of Trade
and Industry after the first time he heard me speak said, “Minister, we’ll never be able to write a speech for you!” So I wrote all my own speeches, I loved doing it. But creating the budget is a 6 to 8 month process, so it doesn’t mean that I dreamt it up all myself, not at all! The data, and the proposals and the suggestions and so on, come in as that period goes, and thick and fast towards the end of it. And so one really has to take all of this on board and see if you can make something out of it. Which as you can see I strived to do (Interview-DK 2003).

In the news media published at the time of Budget Day 1993, people in South Africa were mostly concerned with how the budget would respond to “Recent revelations on wastage and maladministration (Johnson, Cape Times, 16 Mar 1993).” The introduction of a capital gains tax was also a concern (D’Angelo, Cape Times, 17 Mar 1993), but this tax legislation was only introduced much later in 2000. The budget was seen to be a “belt-tightening” budget which was hoped would lead to growth, however, the ANC complained that the “budget embraced a colonial approach with no proper consultation (D’Angelo, Cape Times, 18 Mar 1993),”. In the last section of the latter article, Cosatu also lashed out at the government for “unilateral decision-making” and criticised the government further for raising the VAT rate to 14% (the rate at which it still stands today).

Summary of the Speech

Mr. Keys starts out by introducing himself as the new Minister of Finance and then invokes God, “in his infinite mercy”. He immediately goes into an extended argument on the budget deficit and how to pay for it. And then he summarises the 1992/93 financial year.

After that, the Minister goes on to explain the 1993/4 year in terms of revenue and expenditure proposals, other proposals for funding outside of the budget, the National
Economic Forum initiative, small business development, and most importantly, tourism is highlighted as a way toward creating jobs and boosting the economy. Specific expenditures for social grants, civil service remuneration, and pensions, are all in the printed budget review (a booklet that had more detail than the Budget Speech on the systems that the government will be implementing).

The Minister also has a section on the “Broad Trends in Government Spending”. The following larger section is on the Taxation proposals for the coming year on luxury goods, fuels, Inland Revenue collection (including personal income tax), but more specifically on taxation for Life Insurance companies, non-gold-mining companies and taxation for companies going through mergers and acquisitions. There is also a section on the taxation of retrenchment packages.

The Minister speaks at length about the growth aspect of the economy. The concluding pages present the reader with a summary of revenue, and the financing of the deficit. Then there is a series of thanks to people who were involved in compiling the budget. Then the Minister says a few last words of encouragement to help put the budget into perspective.

The speech goes into great depth about the budget deficit; the Minister consciously uses the speech to calm people’s fear about closing the gap between income and expenditure through various stages he argues that the gap will be closed for various reasons.

Rhetorical Analysis

Even though the Budget Speeches are epideictic speeches, the entire structure of the 1993 Budget Speech is based on logos. The Minister of Finance is eager to build the nation through the budget, not cause division, but to help everyone to look to a better future. Mr. Keys makes an effort to aid to the poor (mainly Black people who are based in rural areas), and says that “it is time to be reconciled to each other and to
work together for the good of our country (Keys 1993: 5).” He says that he hopes that the State and the people will work together to spend public funds wisely. This is a new step in the direction of building the new South African nation. Minister Keys says that “It is time to be reconciled to each other and to work together for the good of our country (Keys 1993: 5)”. There is a Minister of State Expenditure which shows that the Government is serious about curbing state expenditure.

Mr Keys gets straight to business in his speech, by setting out an extended argument on the first 2 pages of his speech. Mr. Keys believes that the situation with the budget deficit is very bad. The deficit stands at approximately R38 billion, but he explains that because the homelands were being reincorporated into South Africa, their debt also had to incorporated and the resulting figure is R40 billion:

Allowing for net profits within the public sector not brought to account, a true accounting for the gap requires that we should increase it to about R40 billion and it is therefore this figure that I shall deal with (Keys 1993: 1).

But Minister Keys pragmatically sets up a series of arguments to explain the situation as well as presenting solutions for it. He says that there is no question that there is a deficit, but “simply what is to be done about it (Keys 1993: 1).”

Mr Keys goes into a detailed series of paragraphs which form his argument about how the budget gap will be reduced. He mentions an amount, how it will be accounted for, and what the reduction in the gap will be. For example:

Approximately R7½ billion of this gap is accounted for by capital expenditure which is quite appropriately funded by raising loan finance, thus reducing the gap to R32½ billion (Keys 1993: 1).

The argumentation is very sharp and you can really feel that it is a professional business man talking about how he can successfully bring about a deficit reduction.
The reason is that there are huge gaps between income and expenditure and the introduction is an exercise in how the country can work together to close those gaps. The audience can thus understand that the Minister of Finance is trying his best to alleviate the situation because he feels that it is important for the nation to see that he does so. This builds his authority and credibility as the new Minister of Finance. For the first time the government considers what is appropriate for the people, what will bring justice, and what is humane.

Mr Keys praises the new developing democracy and the part that both the government and the people can play to make the transition a good one. Many historic changes were being made to the budget at that time, for example, the equalising of pensions and allowances for all population groups:

… and on 1 September 1993 the final equalisation in the amount of all social allowances will take place… (Keys 1993: 6).

This is a historic equalisation of social benefits between the races which had never happened before in all of South African history. The Minister also shows how serious the government is about accountability, transparency ad democracy by bringing the defence forces under the jurisdiction of the government. This is important to note, since the previous government’s strategy was to rule in the state of emergency which gave great powers to the defence and police forces.

The election of 1994 is foreshadowed when the Minister proposes to set aside money for the “general administrative costs in connection with a possible general election (Keys 1993: 6)”.

The common topic of amplification is used in the second statement of the speech when Mr Keys says: “To the natural desire of the new boy to make good is thus added the overwhelming wish, characteristic of this government, to set things to rights (Keys 1993: 1).”
Mr Keys refers to many authorities: “the high level of professional economic commentary”, the thorough Budget Review”, “the March Quarterly Bulletin”. But he does this in order to change the structure of the speech which he says used to start with an economic summary. He believes that the authoritative references he lists are where people can find the detail. He can therefore move on to his next major argument regarding the budget deficit.

There is also some humour which is proof that the Minister wants to create common ground with the audience, the Minister also shows that he is part of a team that creates the budget, just as the government and people need to team up and work together:

I also thank Dr Alant in advance for the much heavier work load he will be bearing (Keys 1993: 14).

A common topic of cause and effect is the use of the formula of proposal. In this speech Minister Keys says, for example:

We may now turn to my specific proposals on how to raise the additional revenue needed. …
I propose that a supplementary amount of R15 million be voted. …
It is therefore proposed that stamp duty… be abolished…

This means that he is appealing to Parliament, who for many members of parliament are seeing the budget for the first time, to accept his proposal. But, in all the Budget Speeches there seems to be a tension between the fact that the Minister is saying that he is ‘proposing’ a particular way forward, and the way that the speech is proposed and the rhetoric used is saying that the proposed way is the only way forward, that most people (especially people with knowledge of economics) have agreed on and therefore expected to take, because most lay-people know very little about the economics affecting a country’s budget:
We think this is the best way to deal with the deficit, a way which conforms to
the dictates of discipline but takes care at every stage to protect the potential for
growth (Keys 1993: 2).

The Minister’s speech affects reality directly when he makes statements like “These
adjustments take immediate effect.” Once he has proposed something, especially if he
knows that Parliament will vote for it, he can say that the new resolution will be
effective immediately.

The Minister’s sense of irony also comes through when he says “I propose to close
with a few perspectives on the budget…” a new type of proposal after making
economic and budgetary proposals throughout.

The beginning of his speech, Mr. Keys build his ethos by appealing to the audience’s
sympathy by referring to himself as the “new boy”, and there is also an appeal to the
people to listen to the Budget Speech of the Government which is making a huge
effort to go smoothly through a transformation to the first democratic election. This is
one of the many revolutionary statements and appeals in this particular speech:

The natural desire of the new boy to make good is thus added the overwhelming
wish, characteristic of this Government, to set things to rights (Keys 1993: 1).

This shows the apartheid government’s willingness to participate in the country’s
political change. Not only is the Minister of Finance a person of integrity, but he
reflects the politicians in power who are willing to tread carefully, but optimistically,
political path ahead. With this sort of introduction, the audience is willing to listen to
the further proposals the Minister of Finance will make.

Mr. Keys starts off the speech with asking the Lord to grant him and the apartheid
government the chance to make things right in the country: “May the Lord, in his
infinite mercy, grant us the grace to do this (Keys 1993: 1)”.
In building his credibility, Mr. Keys also shows that he takes good advice when he says that:

Commentators, and the burden of much of the advice given to me, agree that it is wrong to impose taxes to try and recapture the revenue lost as a consequence of a recession (Keys 1993: 2).

Mr. Keys shows that he has done his homework and that he has instigated some research into the economic matters that he now speaks about, in order to build his authority. It shows that the Minister is a rational man, and he is firm, but fair.

Mr. Keys uses the personal pronoun “I” to show that he (and not the government generally) takes responsibility, even when there is a negative thing to say, for example, “I should be failing in my duty if I did not express an adverse view ...”

The Minister of Finance is most forthright and credible when he speaks about the government’s previous relations with tax payers that he, as the new Minister of Finance, would like to repair the relationship in good faith. This is an amazing statement, it is bold, daring, and shows the change in the government’s stance - it has moved towards service to the people and is business oriented as well:

For this there are a number of historical reasons and insofar as these may have been generated by the Government I hereby turn my back on the past and approach the matter in a spirit of partnership with tax payers (Keys 1993: 9).

Mr. Keys sets the tone for nation-building, and the new service orientation of the government. He is prepared to develop new initiatives in tax collection. Minister Keys has a dynamic innovative creative new approach to the budget for the country. There is a different style and ethos at work in the Ministry of Finance, it is the
talented businessman making his presence felt. His main concern is to provide a good service to citizens and business.

But he realises that all will not be smooth going because he himself admits that “Every transition has its problems, and this change has no exceptions (Keys 1993: 13).” But he believes that a democratic consultative approach will go a long way towards solving South Africa’s deepest problems in the financial arena.

_Dispositio - Arrangement_

The speech again can be divided into three main parts, the introduction, the body and the conclusion.

Mr. Keys points out, in the introduction to his speech, that that this is the last speech of the present government before the election of the new government. So, this is a very dramatic situation on a new wave of hope for reconciliation and transformation.

Mr. Keys starts off with a paradox in that he says that it is his “first budget”, but the “last budget” of the current government. The definition of a paradox is “an apparently contradictory statement that nevertheless contains a measure of truth (Corbett 1990: 457).” This is known as the paradoxical introduction. It serves to engage the audience and make them sit up and listen to the rest of the speech.

The statement of the fact in terms of stating gains and losses forms the bulk of the speech:

The 1992/93 financial year will be remembered as the year in which a substantial part of the expected state revenue did not materialise (Keys 1993: 3).
The higher duties are expected to generate R320 million in 1993/94.

The forfeiture of revenue in 1993/94 is estimated at R24 million.

This shows that the government is concerned about balancing the income and expenditure of the country. It is also a topic of cause and effect as occurs in all the Budget Speeches.

The 1993 Budget Speech also has a section for refutation on page 4 where Mr Keys refutes his opponents ideas that the country can afford two systems for budgeting.

Before the conclusion proper, there is also the statement of thanks to all the people who assisted with the budget:

... purposeful leadership of the State President with regard to integrate management of the country... I salute him for his resolute leadership in dealing with competing economic claims at a time when political choices present their own difficulties (Keys 1993:14).

The conclusion of the speech does all of the following: it inspires the audience with a favourable opinion of the speaker and the budget, it reinforces the points made previously in the speech, it brings our attention again to the large budget deficit, and it rouses the appropriate emotions in the audience by referring to another Proverb\(^2\).

\(^2\) See the discussion below.
Elocutio - Style

Mr. Keys uses jargon like “bracket creep”, “consumer price index”, and “retiral” (where the word “retirement” could have been used just as easily without a change in meaning to the public or other audiences).

This Minister also uses the executive summary in terms of outlining one, two, three or more points in order to structure the reality of his audience. For example:

There are some important aspects of this substantial change which I should like to highlight: Firstly... Secondly... Thirdly... (Keys 1993: 2).

The Minister uses metaphors such as “to start giving flesh early”, “job haemorrhage” and “combat social evils” and this helps to make a stark Budget Speech more palatable to the audience and thus raise sympathy for the speaker, and support for the budget.

Mr. Keys speaks about the new government in general terms because at the time, nobody was sure of the outcome of the negotiations, but the Minister believes that the budget presented would be commended by the new government:

I believe the path we have taken in this budget, and which in several respects agrees with the direction indicated by the Normative Economic Model, lays the foundation for sound fiscal policy under any future government (Keys 1993: 15).

Democracy is implemented because the government is trying to be accountable and transparent. These buzzwords are often found in the Budget Speech as a way for this Minister to legitimise his speech.
The Minister speaks of “my Department”, the Department of Finance in a very protective and empathic way. This serves to show that he believes in their work and their commitment to the process. Furthermore, the Minister takes a strong stand against organisations that speak out negatively against the government, to provide an alternative view in order to antagonise the government and show them up in a bad light:

It is understood that as political personae they feel obliged to characterise the state machine as wasteful, corrupt and inefficient. Let me appeal to them, in their other capacities, however, not to start believing their own propaganda (Keys 1993: 5).

At the end of the speech, the Minister of Finance quotes the following proverb, at the beginning of the section called “Budget in Perspective”:

Prepare thy work without, and make it fit for thyself in the field; and afterwards build thine house (Keys 1993: 15).

The use of a proverb here serves to encourage and motivate the audience (See Perelman 1969: 166). Aristotle defines proverbs as follows:

Proverbs [paroimiai] are metaphors from species to species. For example, if someone brings home something, believing it is a good thing, and suffers harm, it is “what the Carpathian says of the hare,” for both experienced what has been described. So the sources and cause of asteia have been more or less stated (Rhetoric, Book 3, chapter 11, 1413a).

Mr. Keys knows that his audience can understand his Christian appeal to goodwill and hard work. He hopes that everyone in his audience will be pleased by his exhortation to work together, even though the Proverb is not a common one and not
everyone in his audience will know it as a Proverb. This is also in keeping with his appeal to the Lord in the introduction to his speech. In an interview, Mr. Keys said that:

I am a religious person and I have been a member of a Bible study group for years. And of course I was passing through the valley of the shadow of death in doing this job from various points of view, so prayer life was very important to me. Luckily, through being a member of the Bible study group I knew my Bible very extensively and it seemed to me entirely appropriate to remind the house and the country that we weren’t alone (Interview-DK 2003).

This is how the ethos of the speaker builds credibility; using Biblical authority inspires the public to trust in the Minister. At the end of his speech Mr. Keys also uses a Proverb:

Without counsel, purposes are disappointed; but in the multitude of counsellors they are established (Keys 1993: 15).

This Proverb holds within it the essence of what was said in the line prior to it regarding “widespread consultation” not only in terms of the budget, but in terms of the political structure of the country that was being negotiated at the time.

In this speech we see a Proverb being used in the Inventio, Dispositio, and Elocutio – an example where the three are inseparable in their persuasive goal.

**Conclusion**

The 1993 speech is filled with technical terms and details. Mr Keys does not speak much about the nation’s ethos, or about the need to uplift the people. He is very “professional”. He does not ignore the new reality, but like any good business person,
he adapts to it and turns it to his advantage. He is professional in terms of how he seeks to balance the budget of the country, nevertheless his style is not dry since he uses Biblical Proverbs to encourage the audience not to give up hope. He tries to avoid the technical language and in as far as possible tries to make the budget easy to understand for everyone.
'Trim govt and save'

By ANTHONY JOHNSON
Political Correspondent

REDUCTIONS to the burgeoning bureaucracy could result in Budget savings of at least R5.5 billion, the Democratic Party said yesterday.

Recent revelations on wastage and maladministration had confirmed there was scope for greater efficiency, DP finance spokesperson Mr Ken Andrew said.

Reductions in staffing levels were also necessary, but not in the essential services such as teachers and police.

The abolition of own affairs departments and the rationalisation of services "should result in savings of at least R5.5 billion", he said.

Other Budget proposals he outlined were:

- The equalisation of social pensions.
- The government spend the same amount on education — about R20bn — but more wisely.
- A R300 million fund to assist new farmers.
- An additional R600m for crime prevention.
- Job creation and programmes for the poor.
- An extra R500m for poverty/starvation relief.
- Zero-rating VAT on medical services.

TOMORROW'S Budget speech, expected to contain increases in the fuel price and VAT, will be televised in a direct broadcast from Parliament.

The announcement of the new Budget by Finance Minister Mr Derek Keys will be broadcast on TSS from 2.15pm to 4pm.

VAT hike: Motor sales 'still slow'
Budget necessities likely to
dampen economic activity

duce a minimum tax on companies "although it is extremely difficult to determine the impact on improved tax collections.
"No changes are anticipated in the rate of transfer duty. In last year's budget the rate applicable to individuals was effectively increased by between 40% and 67% and that in respect of companies by 40%.
McManus does not expect a capital gains tax to be introduced, or the tax on dividends to be restored.
"We are more likely to see an increase in the rate of estate duty or a reduction in the exemptions available, which have already been eroded by inflation.”
He thinks import charges will be increased or at best remain at present levels. Customs duties might also be raised "with the additional benefit of relieving pressure on the balance of payments as imports become more costly and therefore unpopular.”

CAPE TIMES, 17/03/1993
This is my first Budget, and in all probability the last Budget that will be entirely the product of the present government. To the natural desire of the new boy to make good is thus added the overwhelming wish, characteristic of this government, to set things to rights. May the Lord, in his infinite mercy, grant us the grace to do this.

By AUDREY D'ANGELO
Business Editor

THE Minister of Finance, Mr Derek Keys, put the big squeeze on ordinary South Africans yesterday with a belt-tightening budget which he also hopes will eventually lead to economic growth.

VAT soared to 14%, petrol went up 15 cents a litre, and cigarettes, beer, wine, spirits and soft drinks all increase in price.

At the same time racial discrimination in pensions is to go, tourism is boosted, defence spending is down and the company tax rate is lowered to 40%.

Although personal income tax remained unchanged, the minister hopes to skim off R2.5 billion as a result of fiscal drag — in which increased wages and inflation force taxpayers into a higher tax bracket.

All in all Mr Keys said he expected to gain an extra R6.50b in tax revenue as a result of inflation.

Despite the ANC and the opposition parties slamming the Budget.

The Democratic Party's Mr Ken Andrew said the government had placed the burden almost entirely on the public's shoulders and had refused to curtail its expenditure.

Colonial

The ANC said the Budget embraced "a colonial approach" with no proper consultation.

ANC economics spokesman Mr Tho Mboweni acknowledged Mr Keys had made a number of improvements. However, the ANC said that the government dealt unfairly to ordinary people, only for "business".

He criticised the VAT hike and doubted that the company tax rate drop would have the desired effect. The desired objective of growth and fiscal discipline could be realised only "after a political transition has brought stability to society", he said.

The Conservative Party said the fuel price hike, the increase of VAT to 14% and the R5.50b more in taxes from income "would mean that the ordinary man-in-the-street would have to dig much deeper into his pocket to survive.

Reacting to the hike in petrol and diesel, Automobile Association general manager for public affairs Mr Robin Scoltz said the increases put motorists even further beyond the means of many South Africans.

Cosatu secretary general Mr Jay Naidoo branded the government's announcement that the introduction of VAT would create "the most significant feature of the Budget and would have a major impact on society.

To page 9
REPUBLIC OF SOUTH AFRICA

BUDGET SPEECH

of the

MINISTER OF FINANCE

D L KEYS

17 MARCH 1993
This is my first budget, and in all probability the last budget that will be entirely the product of the present Government. To the natural desire of the new boy to make good is thus added the overwhelming wish, characteristic of this Government, to set things to rights. May the Lord, in his infinite mercy, grant us the grace to do this. To be successful in such an endeavour, in an environment undergoing fundamental change, requires that one should choose one’s guiding principles with great care. The two which have guided the construction of this budget are, firstly, the need for discipline, and secondly, the need for growth.

These two guiding stars are not in conflict with each other in any fundamental sense - sustainable worthwhile growth can only proceed from a thoroughly disciplined base - but each influences the way in which the other is pursued, as will be evident as we go along.

Less demanding times allowed for a summary of the country’s economic position, leading to a consideration of the spending proposals and ending with the new taxes necessary. Due in large part to the practice of transparency in policy making which we follow, coupled with the high level of professional economic commentary available, supplemented by the thorough Budget Review which my Department produces, and in the light of the comprehensive review of the latest economic developments in the March Quarterly Bulletin which the Reserve Bank released this morning, I think that we can to advantage change this procedure. I shall accordingly start by addressing the gap between revenue and expenditure directly, outlining the strategy to be adopted. Thereafter we can deal with other important matters, with a clearer picture of the overall framework into which they must fit.

This year’s income is expected to amount to R76 billion. Next year’s spending will amount to R114 billion, or R38 billion more than the current year’s income. Nobody thinks that this is a sustainable position: the question is simply what is to be done about it.

Before addressing this - and in the spirit of discipline - let us consider whether this gap is the whole story. Most people will by now be generally aware that there have been deficit situations in other parts of the public sector which have not in the past been brought to account in the main budget. The largest of these are the annual shortfalls arising in certain of the TBVC countries - in aggregate some R2 billion plus. Losses on forward cover by the Reserve Bank were also not accounted for annually but since the rates for this cover have become more market-related, these have been smaller on a current basis and at their present level are less than the Bank’s annual addition to its reserves. The running losses on the Commuter Corporation are now in the Budget, whilst borrowings that have been built up will in due course be absorbed in the national debt. The present level of contributions in the Budget for the state pension funds is in aggregate somewhat more than is required to provide for the annual accrual of the cost of future benefits. Allowing for net profits within the public sector not brought to account, a true accounting for the gap requires that we should increase it to about R40 billion and it is therefore this figure that I shall deal with.

Approximately R7½ billion of this gap is accounted for by capital expenditure which is quite appropriately funded by raising loan finance, thus reducing the gap to R3½ billion. This figure, if realised, would represent public sector dissaving, i.e. current expenditure to be financed out of the rest of the economy’s savings. It is this figure which the Normative Economic Model sees as being reduced to NIL by 1997.

Some R8 billion of this amount however is related to a corresponding amount of saving created within the government’s pension funds for its employees and is directly or indirectly derived from the expenditure side of the budget. It would, in my opinion, be wrong to attempt to fund this amount from additional taxes and we can regard the pension fund saving and government dissaving
to this extent as cancelling each other out. Our gap to be handled is now down to R24½ billion of net dissaving.

Commentators, and the burden of much of the advice given to me, agree that it is wrong to impose taxes to try and recapture the revenue lost as a consequence of a recession. This factor accounted for a large part of the R10 billion shortfall in collections during the year now ending and this advice also explains why we did nothing during the year to attempt to repair this shortfall. A study of past behaviour of revenues shows that the difference between normal and recessionary conditions is typically between 1½ and 2 per cent of GDP or some R7 billion and we should not now seek to raise this sum. The gap for treatment thus reduces to R17½ billion.

It is now time to talk of expenditure reductions. The past year saw a largely successful effort to stop the growth of consumption expenditure by general government and this momentum is to be carried forward under the determined leadership of the Department of State Expenditure. Their minimum target is running cost savings over the next two years of R5 billion in today’s money. It would clearly be inappropriate to levy taxes to cover this sum. We therefore reduce the gap by this amount to R12½ billion.

There can be no further reason to leave this sum uncovered by income.

Due to the operation of inflation, together with the small amount of real economic growth which we expect, there will be an automatic increase in 1993/94 in the income yielded by the current tax structure. As reflected in the printed Estimate of Revenue this will account for some R6½ billion, largely in the form of direct taxes and containing some R2½ billion of bracket creep. The remaining R6 billion will be most appropriately levied in the form of indirect taxation, the principal source being VAT. Adjusting VAT also recognises the extent to which indirect taxes have been declining in percentage as contributors to total state income over the past five years, and the fact that VAT also has the smallest adverse impact on growth, our second guiding principle.

Accordingly the VAT rate will be raised from 10 per cent to 14 per cent with effect from 7 April 1993.

There are some important aspects of this substantial change which I should like to highlight:

Firstly: My economic advice is that the effect on the consumer price index should be of the order of 2 percentage points and that this effect would last for a year. The downward trend in that index should however act to reduce this impact.

Secondly: Due to the substantially widened zero-rated basic foods classification coming into effect at the same time the poorest consumers will not be as much affected.

Thirdly: The rate of 14 per cent, with the wide classification of basic foods which we now have, was the originally calculated equivalent rate for the previous general sales tax which it replaced. After our deviation into lower rates we have therefore now returned to the previous position but with a better mechanism than before.

We think this is the best way to deal with the deficit, a way which conforms to the dictates of discipline but takes care at every stage to protect the potential for growth.

Let me now summarise. We are tackling the total R40 billion by which the planned expenditure this year exceeds revenue. R7½ billion and R8 billion of this is not net dissaving, being respectively capital spending and funds accumulating in the state pension funds, while another R7 billion and R5 billion are temporary dissaving that will be rectified in the next two years by resumed growth and cost savings respectively. This leaves R12½ billion of dissaving, which will be covered this
year by taxes - R6½ billion automatically through the impact of existing tax rates, mostly in the form of direct tax, the balance from increased indirect tax, mainly VAT.

Although there are good reasons for not eliminating the entire difference between total revenue and current expenditure at this stage, the deficit is of course still to be financed. I will later return to the planned financing of the deficit in 1993/94.

Before turning to more details on the coming financial year, we may pause to reflect on the outturn of the present year’s budget.

1992/93 FINANCIAL YEAR

The revised estimate of total expenditure of R104,877 billion for 1992/93 represents a nominal growth of 22,1 per cent on the previous year. If however we were to exclude the special drought-related aid of R3,4 billion, on account of its exceptional and one-off nature, the increase would be 18,2 per cent.

The 1992/93 financial year will be remembered as the year in which a substantial part of the expected state revenue did not materialise. Total revenue, including capital receipts from the National Supplies Procurement Fund (NSPF) and the Central Energy Fund (CEF), is now estimated at R76,313 billion which is only 4 per cent more than for the previous year, and R10,036 billion below the figure originally budgeted. This can be attributed chiefly to a longer and more severe recession than envisaged a year ago.

The upshot is a revised deficit now estimated to reach R28,564 billion, or 8,6 per cent of GDP. Even after allowing for the effect of the recession and the accepted liabilities in respect of drought aid, this higher borrowing requirement is a problem that needs to be addressed.

Good synchronisation between the monetary and fiscal authorities saw to it that, despite the high deficit, money market liquidity didn’t rise inordinately. In the process, an additional R2,3 billion of treasury bills was issued, without jeopardising the money supply targets. The treasury bill has also now been deliberately established as the major instrument whereby banking institutions can access accommodation at the Reserve Bank. As was done last year, any balance at the financial year end will be carried over to the new year.

1993/94 FINANCIAL YEAR

REVENUE

The printed Estimate, based on the existing tax rates, provides for total revenue of R82,773 billion, or R6,460 billion above the revised 1992/93 figure. It includes the expected capital receipts of R685 million from the disposal of strategic assets and oil supplies, which will henceforth be treated as revenue - and not as a below-the-line financing item.

EXPENDITURE PROPOSALS

The printed Estimate to be tabled by the Minister of State Expenditure provides for expenditure of R112,744 billion. This sum was arrived at after a process of intensive downscaling of their expenditure requests by government bodies, whose initial indications at the start of the budgetary cycle were R118 billion.
Supplementary proposals

The need for integration

During the past few years the budget has typically included a substantial sum, tacked on towards the end of proceedings, and available for some unobjectionable social need. These included the R2 billion given to the Independent Development Trust in 1990, R1 billion plus allocated in 1991 for labour intensive projects by government departments which is still not fully spent, and R500 million allocated for supplementary housing needs in the year now ending. Two weeks ago I was solicited by the National Housing Forum to follow this precedent in relation to their estimated needs for the next year, but I do not intend to do so and welcome this opportunity to explain my alternative proposal.

The budget already largely consists of expenditure undertaken to meet social needs. Many people outside Government may criticise its direction and efficiency but very substantial resources are being applied, and everyone is aware that in aggregate we have exceeded our prudent limits. Ad hoc allocation of funds outside this system both worsens our overspending problem and shirks the issue of the proper direction of the funds already included in the budget. Taking housing as an example, the unexpended funds under previous appropriations together with those allowed for in the 1993/94 Budget substantially exceed those which the Forum requested from me.

The country cannot afford two systems.

The needs of the people must be met, to the limit of what we can afford, through the national budget and not round about it.

The spirit of reconciliation which is the reason for our hope of a political settlement must also operate to allow us to meld private and public sector, non-government organisation and government department, charity worker and civil servant, in an effective common effort to cope with our problems in the best way.

How are we to do this?

My answer is: by making the provision of funding for these worthy causes conditional upon the achievement of a satisfactory degree of co-operation between the government department with the line responsibility therefor and all the agencies and organisations outside the government machine seeking to achieve improvements in this area.

In two important cases it is clear that such co-operation could be easily achieved: The National Housing Forum represents an extremely comprehensive grouping of interests centering around this need. Its discussions with the Department of Local Government and National Housing have already led to an allocation of R200 million from the funds under that Department’s control in 1993/94 with a promise of more to be found, and full participation within the budget in the determination of the next year’s appropriation. If a greater cash disbursement in the forthcoming year were required (and projects of this type are typically somewhat slow to come to the spending point) the Cabinet is prepared to provide a further R200 million of bridging finance to carry matters through to the point from which the next cash needs of the Forum and the Department can be met from the 1994/95 Budget. Should next year’s needs, through exceptionally prompt execution of projects, be still greater, further financing would not necessarily be excluded although in that case we should have to give attention to its method of financing which might necessitate sales of government assets or some similar procedure.

In support of the most recent negotiations between the Forum and the Department of Local Government and National Housing, the R200 million of bridging funding is therefore proposed as a supplementary item.
A similar case, though not yet developed to the same stage, is the work being done by the short-term working group of the National Economic Forum in the field of job creation. In this case the appropriate line department is the Department of Manpower.

There is no way in which the State can provide jobs at the same rate as can vibrant private enterprises, both large and small. The first focus in job creation should therefore be the creation of a climate conducive to private initiative. But we can’t simply shut our eyes to the job haemorrhage of the past few years, or to the disappointment awaiting many thousands of new work-seekers. Even with a rapid economic recovery it will be some time before there is a meaningful rise in employment levels.

So that we can be in a position to start giving flesh early in the new financial year to the NEF’s job-creation initiatives, I propose that a supplementary sum of R60 million be set aside, to be ready to facilitate the process of integration, within an appropriate and agreed job-creation programme.

There may be other similar areas in which the State’s assistance is sought during this year. They will be handled in the same way and, if necessary, special financing arrangements will be put in place. In all cases the key condition will be the evidence of an effective pooling of needs and resources between the citizen and the State.

Many of the organisations to whom I am now appealing for this type of co-operation are characterised by a strong desire to combat social evils and by dedicated opposition to the Government, often combined in roughly equal measure in the most active individuals engaged in their work. It is understood that as political personae they feel obliged to characterise the state machine as wasteful, corrupt and inefficient. Let me appeal to them, in their other capacities however, not to start believing their own propaganda.

The overwhelming majority of civil servants dealing with social needs are dedicated, honest and capable; the line departments have a potential delivery capacity many times greater than the largest non-governmental organisation; and the heads of these departments are enthusiastic about having them used to serve the widest possible spectrum of citizens’ needs.

It is time to be reconciled to each other and to work together for the good of our country.

As will be clear later in this speech, we are now moving away from selective incentives in favour of improving the general climate for business so as to leave the critical investment decisions overwhelmingly in the hands of the private sector. Even so, there remain two areas for selective help on which agreement is so widespread that there will surely be general support for the provision of supplementary amounts on a modest scale.

**Promotion of small business**

The potential shown by small business enterprises for generating sustainable growth and creating jobs in the formal and informal sectors of the economy, renders them an important element of industrial and fiscal policy.

In support of various initiatives, also within the NEF, to develop and co-ordinate appropriate fiscal incentives to small business, and to go beyond the formal basis of government funding of the activities of the Small Business Development Corporation and certain other bodies, I propose that a supplementary amount of R15 million be voted. In total, therefore, R112.6 million will be available to small business which represents a large increase on this year’s allocation. The Department of Trade and Industry will be responsible for the detailed allocation, and will in this regard consult with the NEF.
Tourism

Despite temporary setbacks there is wide agreement that tourism has to play a very important role in South Africa’s future economic development. Few other export sectors have such low processing cost! Worldwide the tourist industry has also proved to be especially small-business friendly.

I wish, therefore, to propose that, in addition to an amount of R85.1 million in the printed Estimate, a further R25 million be made available for tourism. Furthermore, we propose that, for income tax purposes, the depreciation period for certain refurbishments of tourist accommodation be reduced from 20 to 5 years. This should facilitate the much-needed increase in its capacity.

In total, I therefore propose the following supplementary expenditure which will be included in the second printed Estimate:

<table>
<thead>
<tr>
<th>Integration Assistance Finance</th>
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<tbody>
<tr>
<td>Housing</td>
<td>R200 million</td>
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<td>NEF initiatives</td>
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<th>Selective Assistance</th>
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<tbody>
<tr>
<td>Small business</td>
<td>R 15 million</td>
</tr>
<tr>
<td>Tourism</td>
<td>R 25 million</td>
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</tbody>
</table>

**TOTAL**

R300 million

In addition to these supplementary proposals there are a few expenditure proposals that could not be allocated and will therefore have to be included in the Additional Appropriation. They are the provisions for possible retrenchment costs (R300 million) and general administrative costs in connection with a possible general election (R125 million). The unexpended portion of the capital spending originating in the sale of state assets and strategic supplies must be added: with interest, it amounts to R685 million. It will be allocated to the votes concerned in the Additional Appropriation.

All in all, the estimated expenditure for 1993/94 comes to R114,154 billion, which is an increase of 8.8 per cent on 1992/93. This represents, already, the result of spending discipline; but as a further measure, state departments will be required to absorb all costs arising from the higher VAT rate. To enhance expenditure effectiveness, as from 1992/93 unexpended budget funds will be rolled over, on certain conditions, and be provided for in the subsequent Additional Appropriation.

I shall now deal briefly with a few expenditure items already provided for in the printed Estimate of Expenditure.

**Specific expenditures in printed Estimate**

**Social assistance allowances**

Government is keeping its promise to propose full parity in the social assistance allowances this year. The allowances will be adjusted in two stages: on 1 July 1993 all such allowances will receive a general increase, and on 1 September 1993 the final equalisation in the amount of all social allowances will take place. The Minister of National Health will provide the details in due course. The achievement of parity in this field marks the implementation of one of the key recommendations of the Mouton Committee of Enquiry into a Retirement Provision System for South Africa.

The Government also immediately accepts the Committee’s recommendation that annual reports on old age assistance be submitted to Parliament, to promote transparency in this area. Furthermore,
the State Actuary will submit triennial reports to Parliament dealing with matters such as the projected costs of old age assistance.

The Mouton Committee has made several other important recommendations, which will receive further attention in the course of the year.

Remuneration of employees

Given the large contribution made by rising employment costs to the growth in general government consumption expenditure in the past few years, firm restraint cannot be avoided in this area. A sum of R1,470 billion is provided on the Vote: Improvement of Conditions of Service in the printed Estimate of Expenditure; it would allow only for general salary adjustments of 5 per cent as from 1 July 1993, which the Cabinet regards as the maximum that can be accommodated for all public servants and political officeholders.

Civil and military pensions

Although the inflation rate has slackened considerably, it still erodes the purchasing power of pensions. An increase in civil and military pensions is therefore indicated, to provide a measure of relief.

Civil pensions will rise by 5 per cent on 1 July 1993. This will apply to all civil pensioners who retired on or before 1 July 1992. Those retiring later, but before 1 July 1993, will have their pensions raised by 0.42 percentage point for each completed month of retirement.

Certain groups of pensioners have however built up exceptionally large backlogs against price rises, and it is therefore proposed that they receive further, differentiated increases in accordance with their date of retiral, to maintain in a measure the purchasing power of their pensions.

For military pensions, an increase of 9 per cent from 1 July 1993 is proposed. This will eliminate the backlog built up in 1992/93 vis-à-vis other public servants in the entry grades and keep pace with general salary improvements in 1993/94.

Several pension questions have not yet been fully disposed of. Among them is the nature and conditions of the "emancipation" of government pension funds; regrettably, negotiations on this with state employee organisations have come to a standstill. I intend giving the whole question of pension provision serious attention during the coming year: I believe a practical way can be found of giving public servants greater assurance on their pension funds, but at the same time keeping the associated costs for the Government as employer within bounds.

BROAD TRENDS IN GOVERNMENT SPENDING

How far is the broad pattern of government expenditure consonant with our fiscal goals?

The recently-released Normative Economic Model envisages a real fall in the current expenditure, and a substantial real rise in the capital spending, of general government. If we combine the budgets of the central government of the Republic of South Africa, the provincial administrations, the self-governing territories and the TBVC countries, then the current expenditure for 1993/94 is estimated to rise by only 6.5 per cent in nominal terms. If we exclude interest on the public debt and the special drought aid in both years, there is indeed a substantial drop in current expenditure in 1993/94 in real terms.

By contrast, capital spending (excluding capital transfers and loans to other general government institutions and funds) is estimated to grow by 27.6 per cent in nominal terms - mainly on education (a growth of 43 per cent), health (38 per cent), and police (37 per cent). No less than 43.6 per cent
of this capital expenditure will go to social services. The capital spending from the State Revenue Account alone will be some R7.5 billion, or 2 per cent of projected GDP.

As to the functional composition of total budgetary spending by all the abovementioned authorities, we should note what has been achieved since 1990/91. Prominent is the falling share of protection services - from 22 to 18 per cent of the total, and which would have been even steeper had a portion of the "saving" not been absorbed by the rising cost of policing. Over the same period the share of social services (particularly education and social security and welfare services), rose in round figures from 41 to 44 per cent. This emphasises the higher priority accorded to social services. Interest on the public debt rose from 14.8 to 17.4 per cent, underlining again the degree to which budget deficits can place a damper on a reallocation of resources.

We may now turn to my specific proposals on how to raise the additional revenue needed.

TAX PROPOSALS

Customs and Excise

Customs- and excise duties

In line with international practice the Government annually adjusts specific duties, which are levied as fixed amounts per commodity, so as to keep their yield roughly constant as a proportion of the price. In the present straitened economic circumstances one should not of course be too mechanistic in one's approach to this, and so - taking into account sectoral market conditions - I propose a number of relatively modest increases.

**Beer:** 4.8 cents per litre, or about 2 cents per 340 ml can or so-called "dumpy";
**Spirits:** e.g. whisky, brandy, gin: about 37.7 cents per 750 ml-bottle;
**Cigarettes:** 2.45 cents per 10 cigarettes;
**Cigarette tobacco:** 5 cents per 50 gram;
**Pipe tobacco and cigars:** 5 cents per kilogram;
**Fortified and unfortified wines and sparkling wine:** 4 cents per 750 ml-bottle;
**Other fermented drinks, e.g. cider:** 10 cents per litre;
**Sorghum beer:** 1 cent per litre;
**Sorghum beer powder:** 5 cents per kilogram; and
**Cold drinks and mineral water:** 2 cents per litre.

The higher duties are expected to generate R320 million in 1993/94.

These adjustments take immediate effect. In accordance with section 58(1) of the Customs and Excise Act, 1964 I now lay the formal tax proposals for customs- and excise duties on the Table for consideration by Parliament.

**Fuel levy**

As in the case of specific duties, the fuel levy needs periodical adjustment. It is proposed to increase the levy by 6 cents per litre, for petrol and diesel alike. A broader adjustment in fuel prices is now necessary, however, and my colleague the Minister of Mineral and Energy Affairs will issue full details on this today. The full price adjustment (including the levy) will take effect on Friday 2 April 1993 at 00:01 and will be published in that day's Government Gazette.

The total adjustment, of which tax is only one part, will mean a pump price increase that in the PWV area, for example, will be 16 cents per litre for 93-octane petrol: this represents an increase of 10 per cent in the retail price.
It is also proposed that 1 cent per litre of the levy be allocated to regional services councils (RSCs) as a new tax source for them from 1 July 1993, to help meet the costs involved in their new responsibilities, inter alia for bus commuter transport.

The estimated net result of the higher petrol and diesel levies, allowing for the 1 cent per litre allocation to RSCs, is additional revenue of R740 million for 1993/94.

**Inland Revenue**

**Value added tax**

I have already proposed that the VAT rate be raised from 10 to 14 per cent. Coupled with this, as already announced last week, will be the extension of zero-ratings to a wider range of basic foodstuffs. The net additional yield for the Exchequer - i.e. after allowing for the forfeiture of R1,9 billion in all zero-ratings - is estimated at R5,080 billion for 1993/94.

The higher rate takes effect on 7 April 1993.

**Transfer duty**

Some kinds of fixed property are subject to VAT and others to transfer duty. To avoid too wide a gap after the increase in the VAT rate, it is proposed to adjust transfer duty as follows:

To help buyers in the lower income groups it is now proposed that the exemption threshold be raised from R50 000 to R60 000 for the acquisition of residential houses and flats and from R20 000 to R24 000 for unimproved land purchased with a view to building a dwelling.

It is also proposed that the rate of duty be adjusted. Natural persons presently pay transfer duty at 1 per cent on the first R50 000 and 5 per cent on the balance; it is now proposed that it be levied as follows: 1 per cent on the first R60 000, 5 per cent on the amount between R60 001 and R250 000, and 8 per cent on amounts above R250 000. In the case of companies the rate will rise from 7 per cent to 10 per cent.

These changes will apply from 7 April 1993. They should generate extra revenue of R69 million.

**Fringe benefits tax**

A portion (25 percent) of an employee's car allowance for official or business use of their private motor cars is deducted under the PAYE system. To soften the impact of the eventual extra tax payment it is proposed that this portion be raised to 35 per cent from 1 July 1993. This has no effect on the total tax payable on this benefit; but it will increase the Exchequer's cash flow by an estimated R54 million in 1993/94.

**Relations with taxpayers**

I am conscious of the fact that, most often due to factors beyond their control, the relationships between the Commissioners for Inland Revenue and Customs and Excise on the one hand, and taxpayers and importers and exporters, on the other, are sometimes strained. For this there are a number of historical reasons and insofar as these may have been generated by Government I hereby turn my back on the past and approach the matter in a spirit of partnership with taxpayers. I am satisfied that both Commissioners will adopt the self-same attitude and we look for a response in kind from the private sector parties and their advisors.

As an indication of our initiatives in this matter I mention that, despite the spending curbs, these two branches have been allocated an additional R40 million in the appropriation for next year which
should assist us in obtaining a more adequate number of staff of a high calibre. A prime reflection of this approach will be the speedy establishment of a new specialist office in Johannesburg to deal exclusively with corporate taxation.

I also wish to announce that while the Commissioner for Inland Revenue is awaiting judgment from the Income Tax Special Court of Appeal soon, he intends placing a formal offer of settlement on the table as soon as possible thereafter for all the disputed film scheme deductions sought by taxpayers and which have led to so much dislocation in the normal taxing procedures. Such a settlement could obviously not pardon indisputably fraudulent claims.

I should be failing in my duty if I did not express an adverse view of the role played by certain professional advisors in preparing and marketing a number of dubious tax schemes to taxpayers. I would hope that the Commissioner’s offer will bring this episode speedily to a close.

I now deal with various other areas in which the Commissioner for Inland Revenue intends to introduce changes to better meet the needs of specific groups of taxpayers who have solicited his help.

Life insurers

The Committee of Investigation into the Promotion of Equal Competition for Funds in Financial Markets in South Africa (the Jacobs Committee) reported to Government in September 1992. In respect of life-insurers the Committee recommended the implementation of a "four-fund approach" to taxation, under which an insurer’s assets would be divided into four separate and distinct funds, namely:

- retirement funds of which the income will, as at present, be exempt from tax;
- a fund for individually owned life policies of which the income will be taxed at the rate of 30 per cent, being the average marginal rate of tax paid by individuals;
- a fund for corporately owned life policies of which the income will be taxed at the corporate rate; and
- a fund representing the balance of the insurer’s assets of which the income will also be taxed at the corporate tax rate.

This recommendation has been accepted by Government, and legislation to implement it will be introduced in the Income Tax Bill later in this Session. The actual date of implementation of the new system will be decided after discussion with the insurance industry. The Sixth Schedule to the Income Tax Act, which effectively determines the nature of business which insurers may conduct, will then also be repealed. The four-fund approach will be implemented in such a way that tax income from long-term insurers will, during the first two years after implementation, remain the same as under the current dispensation.

Von-gold mining companies

For non-gold mines it is proposed that the last stage of the phasing-out of the surcharge be now implemented, as recommended by the Technical Committee on Mining Taxation. The forfeiture of revenue in 1993/94 is estimated at R24 million.

Unbundling moves

For various reasons, such as company acquisitions, mergers and reconstructions, unwieldy pyramid structures have developed over the years in corporate groups. Structures of this sort frequently
mean cost inefficiency in the utilisation of capital. The growing need experienced by groups to shed these structures is a very positive development that calls for encouragement.

Draft legislation will therefore be introduced during this Session to support the unbundling process. It will include the qualified exemption of quoted share transfers by listed companies from stamp duties as well as other related provisions and exemptions.

*Stamp duty on contracts*

Stamp duty of R2 is presently levied on every agreement or contract not specifically listed in the Schedule to the Stamp Duties Act, 1968. The scope of the provision concerned is very wide and over the years its application has raised a host of practical problems. It is therefore proposed that stamp duty on these "ordinary" agreements and contracts be abolished as from 1 April 1993. It will mean a loss of revenue of R10 million for 1993/94.

*Taxation of retrenchment packages*

Section 10(1)(x) of the Income Tax Act provides exemption of up to R30 000 in respect of lump sum payments received in certain circumstances, one of which is the termination of an employee's services either because his employer has ceased to operate or because of personnel reduction, provided however the employee has reached the age of 55 in the case of men or 50 in respect of women. Following on summit meeting negotiations between the Chamber of Mines, the National Union of Mineworkers and other trade unions, the Government has accepted those organisations' proposal that the R30 000 exemption be extended to all employees, irrespective of their age, losing their jobs in the circumstances mentioned. This should provide some relief to employees hard hit by being laid-off in a time of falling employment.

This concession will be of retrospective effect on employees laid off on or after 1 March 1992. The loss of revenue is estimated at R100 million for 1993/94.

*Provisional tax*

Some individuals older than 65 are currently exempted from the payment of provisional tax if their annual taxable income does not exceed R25 000 and consists exclusively of remuneration, interest, or rent from the lease of fixed property. Since the tax threshold for married people above 65 has already reached R24 881 for the 1993 tax year, it is proposed that the exemption threshold be raised from R25 000 to R35 000. This should mean that, as from the start of the 1994 tax year, a smaller number of elderly taxpayers in the lower income brackets will need to make provisional tax payments. This proposal will affect only the State's cash flow, insofar as an estimated amount of R7 million will be received only in 1994/95 instead of 1993/94.

*Growth*

When my colleagues and I reached this point in the drafting of the budget and could reflect on it, we realised that we should beware of discipline triumphing over growth. We also realised that there were no further means available to launch much more in the way of a new expenditure initiative.

We therefore set ourselves the task of coming up with something positive that would cost the fiscus nothing. Many ideas were tested and rejected; what now follows represents the survivor.

*Income tax: companies*

We surely don't need any further proof that the main source of growth is private entrepreneurs, great and small. Most of our entrepreneurs are companies; they need a favourable climate; and the tax rate is one of its crucial elements. Various special tax concessions relating to companies...
have been phased out over the past few years, whereby the effective tax rate has risen; but the nominal rate has been reduced only from 50 to 48 per cent: still too high in a global economy into which South Africa is becoming increasingly integrated and in which the tax trend is clearly downwards. The Normative Economic Model proposes a company tax rate of 40 per cent.

It is important that the rate of company tax therefore be reduced still further; but how is this to be done in a fiscal year that allows no scope for tax concessions, and where the social equilibrium should not be disturbed by levying less tax on any sector? A means of achieving this is the termination of selective help to certain companies and the introduction of a dual tax system on all companies, one part of the tax being levied on the taxable income and the other on distributed profits.

To effect this, it is proposed that the present rate of 48 per cent on taxable income be reduced to 40 per cent, while a tax of 15 per cent on distributed profits be introduced simultaneously. The new tax will be phased in as follows:

- The tax rate will be cut to 40 per cent on taxable income, for years of assessment ending on or after 1 April 1993.
- A company tax of 15 per cent will be levied on all profits distributed by companies from 17 March 1993 onwards, except for those distributions declared by listed companies before this date but payable only subsequently, provided the declaration had been made public.

At the same time the following related changes and arrangements are to be implemented:

- The tax on distributed profits will apply irrespective of the recipient. The tax is in no way a tax on shareholders, inasmuch as the lower rate of 40 per cent on taxable income enhances any company's ability to distribute more in profits. A fast-growing company observing a 3:1 ratio of earnings to profit distribution can pay the same dividend as before and plough back more profits. Under the dual tax rate such a company would pay a de facto rate of 43 per cent.
- The proposed dual company tax system will also apply to mining companies. In the case of gold mines the company will have a choice between the existing and the new system, to ensure that this important sector, which has its own tax formulas, is not disadvantaged in any way.
- Within the company sector double taxation will be avoided by giving credit to companies for profit distributions that have already borne the 15 per cent tax. As a transition measure, such credit will also be given for similar revenue received since 1 September 1992 (or any later distribution date).
- As an implementation measure the first payment of the tax on distributed profits will fall due on 31 July, and will cover distributions that became payable during the period 17 March to 1 July 1993. Thereafter the tax will be payable within 30 days.

The dual tax rate should prove an important incentive for the new and fast growing company: the more a company exploits investment opportunities and finances itself, the lower will its tax rate be. Such investment is not only important from a job creation perspective but can also serve to stimulate domestic demand. The new formula is not prescriptive as to how a company should use its resources - there is no question of selectivity. Which brings us to section 37E.

Exceptional circumstances demand exceptional measures: section 37E of the Income Tax Act, thus, permits accelerated depreciation for income tax purposes for selected companies but under strict conditions. This measure was introduced for a limited period and was instrumental, in a time of
investment drought, in calling forth about R12 billion of private investment. The period for considering applications under this section expires on 11 September 1993, when this selective scheme terminates. The incentive mantle therefore falls increasingly on the new company tax dispensation, from which any company can benefit. This kind of incentive should not encourage capital intensive investment unduly.

It is estimated that any loss of revenue from the reduction in the basic company rate will be neutralised by the secondary tax on distributed profits. There should therefore be no revenue loss for the Exchequer in 1993/94. But thereafter too the State should not experience a forfeiture of revenue, since this will be compensated for by the ending of selective concessions under section 37E, while the greater positive effect which the lower tax rate will hopefully have on industrial development, will yield more tax revenue in due time.

I assume that offshore companies will now find South Africa a better tax proposition too. Indeed, this measure reinforces the incentive already available for foreign companies to reduce their tax liability through loan financing and the resultant tax free interest. The new tax dispensation also meets the important criterion of non-selective tax treatment of domestic and offshore companies.

The Commissioner for Inland Revenue will issue a document today giving full details of the proposed dual tax.

Every transition has its problems, and this change is no exception. There is an element of retrospectiveness in the immediate taxation of future dividend payments; but there is a still greater such element in favour of the taxpayer in the levying of the 40 per cent rate on financial year-ends after 1 April. One should of course be prepared for unexpected effects; the overriding purpose is simply to favour new and expanding companies.

SUMMARY OF REVENUE

The outcome of all the tax proposals is an estimated net increase in revenue of R6.122 billion - R5.062 billion from Inland Revenue and R1.060 billion from Customs and Excise. This halts the falling trend of the past few years in the share of indirect tax in the total of direct plus indirect tax and reverses it from 39,9 per cent in 1992/93 to an estimated 43,3 per cent in 1993/94.

But a still more significant result has achieved. The possibilities presented by this budget - namely, to account fully for the whole budget deficit, taking tax increases into consideration - means that the total tax burden relative to GDP is now on a level that should be adequate for the foreseeable future. The parameters defined in this way for the budget once again emphasise the need for spending discipline so as to ensure maximum value for money in the provision of public services.

Including the expected capital receipts from the National Supplies Procurement Fund and the Central Energy Fund, total 1993/94 revenue is estimated at R88.895 billion, which is 16,5 per cent higher than the revised figure for 1992/93. It represents about 24 per cent of projected GDP - more or less the target set by the Normative Economic Model

FINANCING OF THE BUDGET DEFICIT

Allowing for the supplementary budget proposals, total expenditure for 1993/94 is R114,2 billion. Subtracting the budgeted revenue, there is thus a budget deficit of R25,3 billion, or 6,8 per cent of GDP.

In the coming financial year loan redemptions will be about R6,8 billion, bringing the gross borrowing requirement to slightly over R32 billion. It is intended to finance this chiefly by the sale of domestic
stock, including R12,5 billion from the Public Investment Commissioners. It is not expected that government borrowing will exert any upward pressure on interest rates.

THANKS

I propose to close with a few perspectives on the budget, but before I do so I wish to say that the budget submitted today is the end-product of much hard work on the part of many people both within and without the public sector over the past year. One and all they deserve our sincere thanks and appreciation.

After only a short time in this portfolio I am greatly impressed by the purposeful leadership of the State President with regard to integrated management of the country, whereby political and financial realities co-determine policy decisions. I salute him for his resolute leadership in dealing with competing economic claims at a time when political choices present their own difficulties.

I should like to thank my predecessor in office, Mr Barend du Plessis, for the zeal with which he administered this portfolio in eight of South Africa's most difficult post-World War II years in the economic sphere. By the time of his departure he had already begun to perceive something for which he had exerted himself strongly, namely the growing influence of market forces in the South African economy and the opening of international economic doors. We are continuing to pursue these goals. We wish him many years of further constructive work.

As a political novice I found the support and advice of my two Deputy Ministers, Mr Japie van Wyk and Dr Theo Alant, worth their weight in gold. I wish Mr Van Wyk all the best on his promotion and success in his new portfolio. I also thank Dr Alant in advance for the much heavier work load he will be bearing.

So many advisers, economists and officials have worked innovatively on new ideas for economic and fiscal policy that it would be unfair to mention specific names; but I am bound to single out three leading role players and to thank them for their dedication. They are the Governor of the Reserve Bank, Dr Chris Stals; my Special Economic Adviser, Dr Japie Jacobs; and the Director-General of Finance, Mr Gerhard Croeser. I also wish to pay tribute to the dedicated and expert staff of the Department of Finance.

This budget was a team effort between Finance and State Expenditure. I therefore conclude with a special word of thanks to my colleague Amie Venter, Minister of State Expenditure, for his strong support of the policy stances in the budget and his rôle in taking other colleagues with us. Also my sincere thanks and appreciation to his Department for its contribution.

BUDGET IN PERSPECTIVE

This year's budget has in many respects followed the wise proposition of the Book of Proverbs:

"Prepare thy work without, and make it fit for thyself in the field; and afterwards build thine house."

At several forums within and without the public sector I have sought to secure acceptance for what must be done in the fiscal sphere if the economic house is to be built.

This budget doesn't put South Africa on steroids: it doesn't give a short-lived high of illusion that adjustments aren't all that necessary.
I'm convinced we have submitted a structurally-sound budget that's going to bear fruit in the medium term. There are many things we would have liked to do, such as eliminating backlogs faster and reducing individuals' income tax; but there is no way of our developing a greater capacity to reach these ideals except by getting the economy to grow. Once we succeed in this we shall also be able to give serious attention to other outstanding matters such as the phasing out of marketable securities tax and the import surcharge.

We therefore shouldn't think that all is now fine. There remains a very large budget deficit that demands attention. As we move into an upswing the growth of tax revenues will cut the deficit to some extent, while the growing spending discipline under the leadership of the Department of State Expenditure will produce further savings in the next two years. I am nonetheless sanguine that the steps taken in this year's budget to limit the budget deficit to 6.8 per cent of GDP in the coming year will mean there is more room created on the fiscal side for a gradually more relaxed monetary policy approach - which too is vital for economic growth.

In my view the measures proposed today and the policy course now embarked upon will serve to arouse greater interest in this country on the part of overseas businessmen and investors. The policy course puts the South African economy on a foundation to address our great development problems in a much more imaginative way. South Africa will also seek, when the time is ripe, with greater assurance and on a better negotiating basis, to gain access to the conditional financing facilities of the IMF and the World Bank's project finance.

I believe the path we have taken in this budget, and which in several respects agrees with the direction indicated by the Normative Economic Model, lays the foundation for sound fiscal policy under any future government. And if we can also make rapid progress with the process of political reform then the medium-term needn't be as far off as it sounds. Then the expected low economic growth of between 0 and ½ per cent for 1993 can already be much higher in 1994.

The Book of Proverbs has given us another gem in this time of widespread consultation; and I hope it will be increasingly true of the State, its activities, its contact with the country and its people and the joint disposal of public funds now combined in the budget:

"Without counsel, purposes are disappointed; but in the multitude of counsellors they are established."

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This is a transcript of a telephonic interview with Mr. Derek Keys done by Catherine WynSculley on 15 July 2003.

[Preliminary remarks]

Catherine WynSculley: The rhetoric that I am specifically interested in is epideictic rhetoric, meaning ceremonial praise and ritual speech, and the Budget Speeches are not merely about the economy or the finances, but presents an attempt at unification, to get people to think along the same lines, to inspire them, to get them to accept the Budget and the speech - they are about getting a vision across to the people.

Derek Keys: Quite right; that's very insightful.

I also wanted to say more about why I chose the particular speeches. The choice of Budget Speeches is significant for me because the 1985 speech is delivered as the first Budget Speech of the new tricameral parliament, representing apartheid in reform. The 1993 speech was the last speech of the state ruled by the National party, and the 1994 speech was the first speech of the Government of National Unity. The 2002 speech is an example of the Budget Speech of the post-1994 government, that's trying to find it's way democratically and trying to bring about social justice.
I thought we could start off talking about the 1993 speech where you say that you were a political novice, and considering that you were the Minister for two years, 1993 and 1994, I wanted to know more about how you saw your role, because it was quite crucial and strategic both for the party and for the government at the time.

The Finance Minister is only as good as the backing he enjoys. I had no political backing. I was never elected, I was only appointed. And I had to rely totally for my backing on President De Klerk. Now, he did this in a very remarkable way considering what was at stake, because he gave me carte blanche, but I was obviously always careful to check with him at crucial turning points. But he never laid down a particular way for me to behave. When I took the job it was on the basis that I would run an all-party economic policy, so even the result of the 1993 speech is the result of inputs across the political spectrum and including the ANC, and including COSATU, as a result of the formation of the National Economic Forum where the all-party discussions were played out.

In making that all-party economic policy, it was not a question of ideological discussion. When I started contemplating the job before I was appointed, I started preparing myself for ideological discussions about the dirigiste\(^1\) approach versus the more marketed orientated approach. That was never needed, because luckily, various events cropped up which we were able to talk about in a pragmatic and practical way. So I think the words “communist” and “capitalist” was never mentioned in those discussions.

What we started with was an actual problem. I’ll give you one example: South Africa had an arrangement in terms of which the foreign banks were gradually being paid off for what had been frozen in 1986. When that had to be given its final form so that it

\(^1\) A technical term in Economics that refers to an interventionist state which tries to control the economy.
had to be terminated, the banks involved said that whereas previously, in all discussions they had insisted that there should be no reference to political parties, they now wanted the political parties involved, because there was going to be a change in government. And so, I was able to sit down with the financial heads of the different parties, and Trevor Manuel who was the finance head for the ANC, and we were able to look at the proposals that had been put on the table and what the Reserve Bank had achieved and to make amendments to them and so on, and that sort of started the process which we carried on. Even in 1992 when I went to the IMF in September, which was just after the CODESA discussion had been resumed, the ANC came as well. And we worked on various proposals together.

There’s not that much difference of the kind that you mentioned in 1993 one, the last National Party speech, and the 1994 one, the first ANC speech. The two speeches were actually both “all-party”, they’re actually cast out of the same block.

To me there is a difference, because in the 1993 speech there seems to be a hint of sadness and a hint of being unsure, about not knowing how 1994 was going to turn out.

That was true.

And I don’t deny that people were a bit unsure of how things were going to turn out!

Of course, that uncertainty lasted throughout my entire period, even after the transition. Because people weren’t sure, have they just played along in order to get the majority or were they really serious about the positions that they support, so my entire period was covered with a mist of uncertainty. And of course, that made it all important to speak clearly and competently.
Yes, that does come through in the speeches. You get into the business immediately, there is a confidence and you build trust from the beginning.

Yes.

*My second question is about South Africa being called the miracle nation, you mention in your 1994 speech the “wonderful transition” and I wanted to know what did that mean for you?*

What it meant for me was that my time hadn’t been wasted. That the approach that we developed together was going to persist as it had done, of course, much more successfully under Manuel than one was able to do at the start. Though, I was absolutely exhilarated by the level of commitment, the level of co-operation, the level of understanding which one encountered through this whole process. One tends only to talk about the ANC, but the Conservative Party understood what I was doing and contributed in various ways, and the Progressive Party likewise. It was anything but a partisan era.

*Moving on to more specific textual matters, because the rhetorical study that I’m doing looks to the text; they’re not political analyses or economic analyses, they actually focus on the text, the arguments, the arrangements, and the style of the speaker. And what interested me most was that in the 1993 speech you end off with Proverbs. Do you want me to read it for you?*

Yes, I love Proverbs.

*There are two of them. It’s all in the conclusion of the speech. The first is “Prepare thy work without, and make it fit for thyself in the field; and afterwards build thine house” and the other one you end off with is “Without counsel, purposes are disappointed; but in the multitude of counsellors they are established.” And I was*
very interested in how confident you were to use these Proverbs, and wanted to know what they meant for you?

I am a religious person and I have been a member of a Bible study group for years. And of course I was passing through the valley of the shadow of death in doing this job from various points of view, so prayer life was very important to me. Luckily, through being a member of the Bible study group I knew my Bible very extensively and it seemed to me entirely appropriate to remind the house and the country that we weren’t alone.

Even the Communists needed to be reminded!

Well, in the 1993 speech they weren’t in the house, in the 1994 speech they were in the majority. You would have spotted the fact that there are no Biblical quotations in the 1994 speech.

But you do mention “God’s grace” in the 1994 speech.

[laughter] Correct!

And it is a way of encouraging people and comforting them and getting over the boundaries that exist, and everyone can look up to a higher power and identify with that sort of message.

That’s right.

I wanted to know more about how your speeches were written. I know some ministers have speech writers.
I never had a speech writer in either department. I was minister of two departments, trade and industry and finance. And the Director-General of Trade and Industry after the first time he heard me speak said, "Minister, we’ll never be able to write a speech for you!" So I wrote all my own speeches, I loved doing it. But creating the budget is a 6 to 8 month process, so it doesn’t mean that I dreamt it up all myself, not at all! The data, and the proposals and the suggestions and so on, come in as that period goes, and thick and fast towards the end of it. And so one really has to take all of this on board and see if you can make something out of it. Which as you can see I strived to do.

_The Budget Speeches as I explained earlier on, is an epideictic address, as ceremonial speeches they develop the government’s vision. And you do actually open the 1993 speech saying that “the government desires to do good”, and you speak about “laying the foundation for the future”, and in the 1994 speech you also say you want to “lay the groundwork for the future” and you want to “put the past behind us”. And I wanted to know if you could comment on the Government’s vision specifically and even your vision at that time?_

As the situation developed, while the CODESA negotiations were going on all the time, and the interim constitution was gradually being built, and what the constitutional principles were going to be that were going to be accepted, one became more and more aware of the fact; the process could work, if people wanted it to. Any country can have any constitution, but if the people don’t want it to work, it is meaningless. The question of showing people that what one had done so far had been a great success and that there was every reason to expect further success, became absolutely critical. I don’t want to sound vain, but the government had no financial and economic policy apart from what I had developed; the president left it to me, and even Mr. Mandela left it to me in 1994. When the Minister of Finance is satisfied with the Budget Speech, he sends it to the president and the deputy president. And I got very good comments back from President Mbeki [who was Deputy President of
the Government of National Unity in 1994]. That year’s speech was definitely improved by him in terms of becoming more motivated, more inspiring. Mbekis’s contributions were to make the future more attractive.

That’s very interesting, because throughout that speech there’s definitely a positive spin, and you start immediately by saying that 1993’s budget worked and in the 1994 budget, even though there is definitely a huge amount of debt, we can work through it. And we don’t have to worry, because the fundamentals are sound, and we just need to be confident.

Yes.

I would like to ask you about the end of the 1994 speech, you conclude by saying that people have spent the past several years demonstrating their ability to set these high goals and to achieve them and then you say “this is one more, let’s do it again”. And I wanted to know, who specifically do you have in mind, because you seem to be speaking very specifically.

I’m really speaking to the tax-payer, you see, I’ve just imposed a levy on them, in fact, I never produced a budget that did not raise taxes! We raised VAT in 1993 and we brought in the levy to pay for the transition in 1994. I wanted people to see the first year, and the first few years of the new government, as a simple continuation of what we had been doing for a period already. And it wasn’t a new thing, wasn’t a completely different standard with different values. It was a continuation of what had been started by De Klerk in 1990 and carried through the negotiations and finally brought through to the transition itself. We were moving on from there, but we needed the same sort of support and solidarity and trust that had been displayed so far.
The final question centres on the difference in presenting to a corporate audience and the audience in Parliament. Is it possible for you to comment on the differences and similarities of the two?

Yes there are differences, but the problem is that I was completely at home with the corporate audience and I could joke with them and call their bluff, when they got on their high horse about something.

You’re an insider.

Yes, for me, talking to a business audience was just like sitting down in a warm bath! And I used to thoroughly enjoy it. I used to get a bit cross with them here and there, but generally I just thoroughly enjoyed it. I really hardly had to talk to people who weren’t either business or labour leaders or government. The Minister, he leads a fairly rarefied life… I was surprised when I got into Parliament, to discover that one read speeches as opposed to addressing the matter spontaneously and in debates, for example. The fact that that was the practice meant that you got more fun sitting in your house writing the speech and it often meant that creating the speech was more fun than delivering the speech!

Thank you very much for speaking with me.

It’s a great pleasure and I wish you all the best with your venture, and hope you become a master in due course!
PART 4

A Rhetorical Analysis of the 1994 Budget Speech
The Rhetorical Situation

The 1994 Budget Speech was delivered by Mr Derek Keys under the presidency of Nelson Mandela on 22 June 1994. Budget Day that year came later than usual because of the national general election that took place on 27 April 1994.

There was an atmosphere of jubilation as people saw the apartheid government being replaced by a more representative Government of National Unity. The Government of National Unity was the result of a negotiated settlement, consisting of a power-sharing deal where the African National Congress, the National Party, and other parties that were voted into power shared the responsibilities of governing the country. This was to alleviate the fears of white people (especially that of Afrikaners, some of whom were the architects of the apartheid state) who thought that the government would have a strong wealth redistribution policy. In fact, there was a redistribution policy, named the Reconstruction and Development Programme (RDP) which was managed by Jay Naidoo, the Minister without portfolio, elements of which still continue today.

The transition in South Africa, from the apartheid state to the post-1994 (democratic) state was negotiated, not by foreign interests, but by the citizens (represented by the
various political parties) who took ownership of South Africa’s transition themselves:

The enfranchisement of the South African black majority ... involved a surrender of exclusive political power by a domestic ruling class to its social subordinates, accompanied by an effort to protect social and economic privilege from the newly enfranchised (Glaser 2001: 201).

While South Africa was trying to forge a new nation, and a new economy, free from the oppression of the past, the world was watching with interest, not knowing whether South Africa would manage the transition very well or implode, especially with the ANC being the dominant political party as well as a former liberation movement that was inexperienced at governing a country and would do so for the first time in 1994 (Glaser 2001: 225-227).

Derek Keys delivered his speech as a member of the National Party, but the language he was using echoed the new government’s stance of reconciliation and nation-building. He said that both his speeches were an outcome of the negotiations. And this comment gives us an insight into how the speeches were written, as well as the input that was given from a high-ranking ANC official, to the NP Minister of Finance:

When the Minister of Finance is satisfied with the Budget Speech, he sends it to the President and the Deputy President. And I got very good comments back from President Mbeki [who was Deputy President of the Government of National Unity in 1994]. That year’s speech was definitely improved by him in terms of becoming more motivated, more inspiring. Mbeki’s contributions were to make the future more attractive (Interview-DK 2003).
Mr Keys, citing ill health, soon left the government to work for a while at a multinational mining corporation. The media portrayed it as a loss to the government, the country and the National Party.

While the media ran articles on the “miracle of transition” that South Africa had made, all was not well with the economy, and foreign investment was not pouring into the country as fast as the new government would have wanted (D’Angelo, Cape Times, 22 Jun 1994). D’Angelo also reported that corporations and big business were going to be the major contributors to the RDP. The government would also be downsizing the government administration in order to release funds for the RDP (Urquhart, Cape Times, 20 Jun 1994). Other significant changes reported by Johnson (Cape Times, 23 Jun 1994) to the budget for that year was that

As a result of constitutional changes, the Budget this time incorporates previous revenue diversions to, and budgetary shortfalls of, former homeland authorities.

The second major change is the more comprehensive inclusion of the informal sector in the calculation of the gross domestic product (GDP) which has resulted in the upward adjustment of 6.8% in the GDP.

This shows that the government was undoing the apartheid removals of specifically Black people to the homelands areas. The new GNU recognised that people who work in the informal sector of the economy (mainly Black people) are also part of the country and so should be incorporated into the GDP estimates.

**Summary of the Speech**

The speech starts with praise for the economic practice of the previous year. He then refers to the President, who is the newly elected Nelson Mandela, on the work that lies ahead for the government in rebuilding the country. The major issues are the
Reconstruction and Development Programme and the costs of transition which is dealt with first.

Then Mr. Keys introduces the new economic strategy for South Africa, called the RDP, and its implications for expenditure for the state. Mr Keys moves on to explain the costs of transition, which was R4 billion, which will be paid for by a special levy on companies and individuals.

The following information in the speech consists of a review of the 1993/4 financial year, which “not only represented the closing of a chapter of history, but also the start of meaningful progress towards cooperation and reconciliation on economic affairs (Keys 1994: 3).” Mr Keys follows this section with an economic environment and economic policy framework for economic recovery (Keys 1994: 3).

The following section looks at the future in depth, including the budget format which has been changed because the constitution was undergoing changes, and because the homelands had been incorporated into the budget – South Africa’s budget represented the unity of the new South Africa. Following this caveat, the Minister gives details of expenditures, pensions, job creation, revenues, the transition levy, taxation and excise duties on luxury items, and the establishing of the Financial and Fiscal Commission, an independent body which would assist in developing the country’s budget.

Then the Minister moves on to the budget deficit and public debt which had substantially increased, partly because of the homelands which had been re-incorporated into South Africa which had thus taken over their debt (Keys 1994: 7)

Following this section was the thanking of the people and departments that helped to set up the budget. And the Minister ends off his speech with a look at the budget in perspective, similar to the section at the end of the 1993 budget.
Rhetorical Analysis

As an epideictic speech, the Minister of Finance emphasises the new targets of the nation; he speaks about the need for shelter and education for all.

Some of these needs are simple – shelter and the basic elements of hygiene; some are more complex – an education that will allow its subjects to contribute for a lifetime in this modern technological world; many are more complex still – arranging our society in a way that offers everyone the greatest freedom of choice and the enjoyment of personal liberty (Keys 1994: 1).

He also emphasises that everyone plays a role in building the new nation:

Every part of our society, every citizen, has a role to play in this transformation. Every activity needs to be judged by its relevance to this process and adjusted accordingly (Keys 1994: 1)

These paragraphs explain the need for the country to rebuild itself and for all the groups involved (that is, business, individuals, and the international community) to work to bring about changes in the country. South Africa had at that time achieved a miracle of reconciliation and transition from an oppressive state to a new liberal democracy. The Budget Speech reflects the costs and the burden of the payment for that transition that the people would have to bear, and Mr. Keys’ job at the time was to placate the masses and praise the transition that had happened earlier in the year. Mr. Keys was careful to produce a sense of ownership for these costs of transition, and to inspire the country to progress from that point, and not to wallow in the past.

As mentioned previously, the Minister of Finance in this year was a respected businessman, and a respected Minister of Finance. In the speech he says:
The success we have achieved and need to achieve with budgetary control depends ultimately on the support given by the Head of the Government. I am very fortunate to have had unstinting support since assuming this position from my first appointment in May 1992 right up to the present day and wish to convey my sincere thanks and appreciation to the leaders concerned for this vital factor (Keys 1994: 10).1

Mr Keys had taken his role very seriously, and understood the importance of having everyone in the government co-operate with each other. He says:

I look forward to working with these newcomers and have confidence that with the continued support of the rest of management ... we should be able to serve the needs of the people of our country (Keys 1994: 8).

In the speech there are no quotes from authorities other than from Nelson Mandela’s State of the Nation Address, although the Minister does invoke God again, saying “Through the grace of God, we have had a wonderful transition, but we incurred costs of R4 billion (Keys 1994: 2).” The amount is staggering and the Minister takes a pragmatic approach trying to persuade people that the amount was well spent, and to be generous in their payment of the transition levy, so that this debt will be paid.

The budget of 1994 is geared towards reconciliation and building the new South Africa, but it has much austerity and concern for the payment of large debts, incurred in the transition, and also from the previous government’s management of the economy and public service. This created much anger especially for those who were

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1 See also the interview with Mr Keys where he talks about his support base as Minister of Finance (Interview-DK 2003, page 1).
2 As opposed to the 1993 speech where Mr. Keys used 2 Proverbs with great persuasive effect.
newly enfranchised. At the same time, he says that the previous year’s deficit had a “meritorious decrease” to help put the transition debt into perspective.

Mr Keys placates the ‘haves’ in his audience, by reminding them that there has been unequal development in South Africa in the past, and the needs of the lower class, the ‘have nots’ are basic, but will improve their lot tremendously:

Some of these needs are simple – shelter and the basic elements of hygiene; some are more complex – an education that will allow its subjects to contribute for a lifetime in this modern technological world; many are more complex still – arranging our society in a way that offers everyone the greatest freedom of choice and the enjoyment of personal liberty (Keys 1994: 1).

Mr. Keys reflects to the audience their ideals for an improved life and freedom in the new country that was being created as he spoke. But still he took care to spell out that the transition will not bring dramatic results, or instantaneous wealth and job creation. Instead, the government would focus on “the responsible economic governance of the country.” This would lead to foreign investment and greater relaxation of taxation in the years to come. Mr. Keys says that “Today’s budget is presented against the backdrop of a much improved economic climate.” As opposed to the time of Barend du Plessis, when the sanctions against South Africa was at its highest level.

Mr. Keys promotes the new government when he says that:

This Government has the legitimacy, the capacity and the resolve to succeed. It is determined to pursue both social justice and aggressive growth – the best of both those worlds and the budget seeks to embody this aim (Keys 1994: 8).

This is an important statement to everyone, and especially to foreign investors who will rely on the opinion of a sturdy businessman as Derek Keys was. The citizens of South Africa are given hope in the face of rising taxes and inflation rates, but this
would not be long before the economy turns around. The Minister leaves the audience with hope and the prospect of a prosperous future, provided that the economic fundamentals are adhered to:

In forging these and our other close links with the international community we are guided by a clear vision of the kind of country we want to become: an open society, trading freely with all other nations (Keys 1994: 5).

The common topic of cause and effect is present in this speech as the speaker reports the gains and losses, for example:

The estimated revenue, including the tax proposals, is R105, 8 billion and leaves a budget deficit of R29, 3 billion (Keys 1994: 7).

Mr Keys still keeps an exact tally of what the government is spending and receiving and makes this information accessible to the audience.

The "proposal" is still part of the Budget Speech, but the format is not as obvious. The Minister mentions at the beginning that "these proposals have been formulated..." and then goes on to present the proposals, not as proposals, but as facts. For example, "In plain language that means that the government is proposing to levy individual and company taxpayers an amount equal to 5 percent of their taxable income (Keys 1994: 2)". This will happen because the parliament will actually vote for it, because they know that the transition cost has to be paid off soon.

**Dispositio - Arrangement**

The most important parts of an epideictic speech are the introductions and conclusions where the speaker takes the opportunity to outline his or her personal vision or statement in order to bring about agreement across the audience.
The beginning of the 1994 Budget Speech is an exhortation to the audience to be happy about the “sound fiscal performance in the previous year – the deficit was virtually as budgeted (Keys 1994: 1)”. This immediately puts the audience in a positive frame of mind before the Minister moves on to the hefty transition levy.

The conclusion of the speech is another look at the summary of the important points of the budget. The Minister urges the community of listeners to be positive about the future prospects of South Africa:

The members of the government, the members of this house, and our millions of fellow citizens have spent the past several years demonstrating our ability to set the highest goals – and to achieve them. This is one more. Let’s do it again (Keys 1994: 80).

Mr. Keys uses the hope that was gained around the positive transition to spin hope around the new economic framework, and to build an aspiration in the citizens of South Africa to achieve even greater economic change. In an interview, when asked who he was speaking to, he said:

I’m really speaking to the tax-payer, you see, I’ve just imposed a levy on them, in fact, I never produced a budget that did not raise taxes! We raised VAT in 1993 and we brought in the levy to pay for the transition in 1994. I wanted people to see the first year, and the first few years of the new government, as a simple continuation of what we had been doing for a period already. And it wasn’t a new thing, wasn’t a completely different standard with different values. It was a continuation of what had been started by De Klerk in 1990 and carried through the negotiations and finally brought through to the transition itself. We were moving on from there, but we needed the same sort of support and solidarity and trust that had been displayed so far (Interview-DK 2003).
The “thanks” section is still very much part of this speech, and appears at the end. Mr Keys thanks those who assisted in the planning of the budget. He also takes the opportunity to welcome the new people (as part of the new GNU) taking over their new roles in government. This shows that his gracious welcoming of individuals by name seems to bode well for the future and cause the audience to have some confidence in the newcomers also.

**Elocutio**

Derek Keys as the Minister of Finance was plain speaking, using terms like “in plain language” and in this speech “plain hard work”. The meaning of ‘plain’ is that the situation or the issue is always discussed in clear language, and what must be done in this situation is clear.

As in the 1993 speech, he said that it was clear that the country has a great deficit, but the important issue is how to get rid of it. Similarly, in this speech, there is again a large amount that needs to be paid off. The question is not, whether there is an amount, but what each individual and each business is going to contribute to bringing about zero balance on the deficit. It appears therefore that he makes a special effort to be clear, coherent, and explicit. This is important here since as he speaks he gives a serious professional tone to the speech.

The main metaphor of the speech is “the golden triangle” which he uses as follows:

> These achievements show that a golden triangle of government, business and the unions can succeed and that it has indeed laid a foundation for future cooperation and consultation (Keys 1994).

Mr Keys is keen to show that the unions and government can work together with business concerns to build the nation. There were some who voiced anxiety as to how
the unions can be incorporated into government. But while Mr Keys was in office there was a substantial buy-in from everyone to the idea, and the workings of the three units that they could produce the important outcomes required if they worked together, and the golden aspect being the abundance and prosperity that would result.
REPUBLIC OF SOUTH AFRICA
BUDGET SPEECH

of the
MINISTER OF FINANCE

D L KEYS

22 June 1994
It is my duty and privilege to present to this House and to the Nation the proposals of the Government of National Unity for the Budget for the year ending 31st March 1995.

These proposals have been formulated against the background of a sound fiscal performance in the previous year - the deficit was virtually as budgeted - and in the knowledge that a continuation of the general structure of taxation set in place last year puts progressive reduction of the budget deficit in the future within our reach.

For this to come to pass, however, continued control of the level of expenditure is vital. Consequently the Government has taken particular care in deciding on the treatment of two issues which are germane in this respect, namely funding to spearhead the Reconstruction and Development Programme and the treatment of the costs of our transition to democracy.

The President’s first words to his Cabinet emphasised the overriding importance of reconstruction and development in the work and life of this Government, and in his opening address in this House he reinforced this. All members of the Cabinet responded to this message and its challenge.

This challenge, as we now conceive it, is much more comprehensive than any particular suite of projects, and consists of nothing less than focusing the nation’s efforts on properly meeting the needs and aspirations of all its people.

Some of these needs are simple - shelter and the basic elements of hygiene; some are more complex - an education that will allow its subjects to contribute for a lifetime in this modern technological world; many are more complex still - arranging our society in a way that offers everyone the greatest freedom of choice and the enjoyment of personal liberty.

Every part of our society, every citizen, has a role to play in this transformation. Every activity needs to be judged by its relevance to this process and adjusted accordingly.

Government is no exception to this; the activities of every department need to be rethought and ennobled. This process has started.

Government must also play a pathfinding role for the community - provide the spearhead in the form of specific, concentrated initiatives and it is for this aspect that funding provision must be made.

As indicated in the President’s speech, this year will see the allocation of R2½ billion to the Reconstruction and Development Programme Fund, a special instrument being created by legislation which will shortly be before the House. These funds have been found from decreases within the budgeted level of departmental expenditure, in other words without increasing the planned level of total spending. A list of the amounts contributed appears in the Budget Review. In this process the social service departments have naturally been largely spared.

This diversion of funds represents slightly less than 3 per cent of the current level of consumption spending by general government, and it is our judgement that an additional figure of this order can be similarly and additionally diverted in each of the next four years without thereby increasing the overall level of expenditure in real terms. In the planning budgets for those years we have therefore pencilled in the figures of R5, 7½, 10 and 12½ billion for transmission to the RDP Fund, and the appropriations for all other departments will be required to adjust downwards to accommodate this.
The steady build-up of these amounts over this extended period allows both for the existing government machine to plan the adjustments needed, and for the new spending directions to be organised effectively and to develop their own momentum. Applying even the initial R2½ billion effectively before March 31st next year already represents a real challenge which the new Government structure is planning to meet in a methodical and carefully managed way.

As the responsible Minister has explained, these fiscal injections represent only a part - though a very important part - of the programme in its entirety. They will be supplemented by contributions from other governments and from the private sector, while the departments themselves have many programmes of their own which can qualify as part of the larger programme.

We are therefore justified, we believe, in regarding the process set in train as providing ample ammunition for this long-term campaign. There is no further need to pursue calculations regarding the ultimate cost of its completion: instead we have a process in which we can have confidence and which will develop as we progress. This process is made possible by a vision of where we are heading, and how we want to get there. It will allow for programmes that stretch over several fiscal years.

Before we pass on from this topic, however, we should note that it will be vulnerable to two failures which we must guard against. If we allow the overall level of expenditure to climb in real terms we will imperil the allocations which can be made. Equally important, if we do not produce a sound, effective and attractive programme, nobody will be able to motivate the departments sufficiently to bring about the future diversions of spending which we plan.

Now let us turn to the question of the transition costs. In order to smooth the path of transition it was necessary - who could deny it? - for us to have a period in which a Transitional Executive Council was active at the heart of government, and to create and give free reign to an Independent Electoral Commission to manage a free and fair election. Both bodies delivered what was required of them, but both were operating in uncharted territory, under extreme pressure from time to time and most of the time, and neither of them subject to the need to find the income needed to cover any items of expenditure they considered necessary.

Through the grace of God, we have had a wonderful transition, but we incurred costs of R4 billion. A list of these will be found in the Budget Review.

From the point of view of fiscal discipline this is regrettable. If left without response, such a minus could wipe out all the pluses that this Government deserves for its commitment to the responsible economic governance of the country. Worse still, it could inhibit us from taking the dynamic growth-inducing steps that are called for, now that the elections have freed us from so many other constraints.

We think the citizens of this country look to us to act boldly and to free ourselves as soon as possible from the consequences of past actions. We also think that every income earner in this country can be profoundly grateful that our transition has gone so very well. We think therefore that we should join together in meeting the greater part of this bill - put it behind us - and go on unhindered to exploit the exciting potential now available to us.

In plain language that means that the Government is proposing to levy individual and company taxpayers an amount equal to 5 per cent of their taxable income. There are some important ameliorations to this. Firstly, all taxpayers will have the benefit of an abatement of R50 000. Consequently taxpayers earning less than this, which includes taxpayers paying the Standard Income
Tax on Employees (SITE) only, will pay nothing, while the effective levy on a taxpayer with a taxable income of R70 000 will only be R1 000. Secondly, the adjustment to the PAYE tables for individuals will be such as to recover the appropriate amount over the period up to 31 August 1995 rather than over the 7 months to the end of February 1995. Finally, the abatement for married women will be set at a higher level, which will take into account their disadvantage in tax rates when compared to other taxpayers. The total yield of this levy is expected to be of the order of R3.4 billion of which some R2.6 billion will fall in this fiscal year with the balance being collected in the first half of the next fiscal year.

While I feel that the great majority of my fellow taxpayers will agree with this step as a way of putting the past behind us, there will no doubt be commentators aplenty to warn that such one-time levies are inclined to continue or to recur. This will not happen in this case, since at least half the expenditure was non-recurring, and since it is our intention in any event to call a streamlined tax commission into existence to carry out a swift review of the tax mechanism with a view to assessing what improvements are required. It will be chaired by Professor Michael Katz, the chairman of the Tax Advisory Committee, and fans of *Future Imperfect* will be pleased to learn that Professor Dennis Davis will be a member. Insofar as it wishes to make recommendations for the 1995/96 financial year it will have to report by the end of November 1994. The report will be published, comment will be invited and Government will then decide the issues during February 1995 in the run-up to the next Budget in March. A notice announcing the remaining members and the terms of reference is being published today.

Having dealt with these major issues we can now turn our attention to the discussion of developments leading up to today’s Budget, including the outturn of the 1993/94 financial year, the economic and policy environment of the Budget and the Government’s fiscal strategy.

**1993/94 FINANCIAL YEAR**

The 1993/94 Budget was characterised by a commitment to structurally sound policies and the effective implementation thereof. This was achieved, mainly as a result of pro-active tax measures and effective expenditure controls. In this latter respect I wish to pay tribute to former Minister of State Expenditure, Mr Amie Venter, and to his department. In very difficult times they established and maintained the disciplinary framework which the Government of National Unity has happily inherited.

The 1993/94 financial year not only represented the closing of a chapter of history, but also the start of meaningful progress toward co-operation and reconciliation on economic affairs. Many examples manifested themselves in this regard. The most prominent ones were undoubtedly the negotiation for the final foreign debt arrangement, the successful application for an International Monetary Fund financial facility, and the formulation of South Africa’s trade liberalisation proposals made to the General Agreement on Tariffs and Trade. The very important role of the National Economic Forum in the GATT-initiative, as well as in helping to resolve various possible issues of conflict in the management of the economy, deserves recognition.

These achievements show that the golden triangle of government, business and the unions can succeed and that it has indeed laid a foundation for future co-operation and consultation.

**THE ECONOMIC ENVIRONMENT AND ECONOMIC POLICY FRAMEWORK**

Today’s Budget is presented against the backdrop of a much improved economic climate. Whereas previous budgets were constrained by negative rates of growth and double digit inflation, both these
indicators are now moving in the right direction. We anticipate positive real growth of some 3 per cent for the fiscal year and an inflation rate in the present range, figures which are significantly better than those which the country has experienced for many years.

The economic outlook for both the international and domestic economy is encouraging. With economic growth gradually picking up in our major trading partner countries, commodity prices show some sign of rising. Coupled with the higher gold price, a continuation of the solid export performance is foreseen, although the livelier domestic economy could result in a smaller current account surplus on the balance of payments than in 1993. The peaceful conditions after the elections augur well for the continuation of the economic recovery. Increased fixed investment expenditure, an expected rise in inventories and a further recovery in real private consumption expenditure, together with a continuation of the good export performance, a significantly less burdensome foreign debt position, improved access to foreign markets, greater financial stability, improving business confidence and the present favourable agricultural conditions, are just some of the reasons for the more positive growth prospects for the economy. These factors are also being reflected in improved local and international business and consumer confidence with each day that passes.

In its investor dimension, using this confidence requires that South Africa should obtain an international sovereign credit rating, i.e. a formal measure of risk associated with a borrower's willingness and ability to fulfil the loan obligations. Most institutional investors require such a rating as part of their investment criteria and many investors set great store by them. Ratings therefore broaden the investor base for debt instruments, thereby maximising investor demand and reducing the cost of funds. South Africa has taken the first steps in acquiring such a rating in the US financial markets. The process is underway and will be completed this year.

Success in this challenging international environment will require the liberalisation of our international financial flows as soon as the pre-conditions previously stated by the Governor of the Reserve Bank have been met - primarily the replenishment of our foreign reserves. These have been rising since the inauguration and we expect the trend to continue. The Bank is closely monitoring developments and will make the necessary preparations to enable us to take action at the appropriate time.

Two important caveats should be mentioned as far as our international financial relations are concerned. Firstly, we must guard against extravagant expectations regarding immediate capital flows into South Africa. Such flows will be slow to develop and the country therefore still faces a balance of payments constraint. The need for a continued pursuance of the present responsible monetary policy stance is thus beyond any doubt. A second caveat is that our endeavours to facilitate and broaden access to international financial markets should not be seen as attempts to find additional sources of finance enabling a larger budget deficit, but rather as a substitute for domestic finance. This will not only result in a better balance between local and foreign debt, but also ease pressures on the domestic financial market to the advantage of private sector borrowers. At this point I should like to express the country's thanks to the former Director General of Finance, Mr Gerhard Croeser, who made a signal contribution to good financial governance for many years and who now represents us in Zurich as we establish closer links with the international financial community.

In forging these and our other close links with the international community we are guided by a clear vision of the kind of country we want to become: an open society, trading freely with all other nations, investing liberally to increase our productive capacity, thus creating more and more jobs which in turn leads to an ever more attractive growing domestic market and encouraging participation...
in the benefits of this development by our people, by our neighbours in Southern Africa and by kindred spirits all over the world.

Against this background we can now move onto the fiscal strategy for the 1994/95 financial year, and how we plan to realise it.

FISCAL STRATEGY FOR 1994/95

This Budget is the first of a number of budgets of this Government which will have to meet with three considerations, namely

- laying the base for public finance to be one of the principle instruments for the reconstruction and development of our country;

- contributing, through fiscal discipline, to macroeconomic stabilisation as a crucial element in economic growth; and

- embodying institutional change in the process of transition from the old to the new constitutional order.

This strategy obviously necessitates new policy measures and structures to underpin or, where necessary, even replace those already in place. Any discussion of the expenditure and revenue proposals must take these considerations into account.

Budget Format

Two major changes in the budget presentation must be explained. The first is the result of constitutional change and involves the incorporation into the Budget of the National Government of erstwhile revenue diversions to, and budgetary shortfalls of, former regional authorities. The second is the more comprehensive inclusion of the informal sector in the calculation of the gross domestic product (GDP) which resulted in an upward adjustment of 5,6 per cent in the GDP.

Care should thus be taken in analysing the Budget figures to ensure comparability and avoid misinterpretations.

A detailed discussion of the changed budget format, as well as various important matters which I can only briefly discuss or which time does not allow me to deal with in this speech, appear in the Budget Review.

Expenditures

The total estimate of expenditure from the National Revenue Account for the 1994/95 financial year is R135,1 billion, which now covers all expenditures at national and regional level, except those financed from the former regional administrations' own revenues. If we do add the latter expenditure as well, current non-interest expenditure (in other words, consumption expenditure and current transfers) grows by only 6½ per cent. This figure will not be materially affected once allocations from the RDP Fund begin to flow and we succeed in ridding ourselves from the costs incurred during the transition. This increase is substantially below the inflation rate and bears testimony to our commitment to continued fiscal discipline.
In view of the many and varied demands on the Exchequer and the relatively small increase in estimated expenditures, continued and scrupulous financial control will be called for. The restructured Treasury Committee comprising the two deputy Presidents, the Minister of Finance and the Minister without Portfolio (who is also responsible for co-ordinating the reconstruction and development initiative) will have an important role in this regard. The Committee's main function is to assist the Cabinet in meeting the Government's budgetary commitments. Consequent upon this, reordering of expenditure priorities during the course of the financial year, which will also involve RDP related budgetary shifts and allocations, constitutes a major element of this Committee's activities.

Let me now highlight some specific expenditures from this year's Budget, details of which are printed in the Budget Review.

**Civil and military pensions**

Even in the much lower inflationary environment now ruling, it is desirable to adjust pensions on an annual basis. This year's increases in civil and military pensions reflect the appreciably lower rate of inflation and are as follows:

- Civil pensions will rise by 5 per cent with effect from 1 April 1994 for pensioners who retired on or before 1 July 1993. Those who retired later, but before 1 April 1994, will have their pensions raised by 0.56 per cent for each completed month since retirement.

- Pensions which have increased since retirement by a percentage which, after taking into account the increase just announced, does not yet equal seventy per cent of the increase in the consumer price index since retirement, will be further increased to that level.

- Military pensions will rise by 5.6 per cent with effect from 1 April 1994.

**Social pensions**

- An amount of R418 million is being made available for a general increase in the various social pensions and the elimination of the existing backlog of potential beneficiaries. Further details will be made available by the Minister for Welfare and Population Development.

**Employment creation**

- An amount of R292 million - this is quite separate from the RDP Fund - will be available for job creation. The improved co-operation and participation of communities under the Government of National Unity, will enhance the impact of these expenditures.

**Financial and Fiscal Commission**

- The 1993 Constitution makes provision for the establishment of a Financial and Fiscal Commission. The aims and functions of the Commission are to apprise itself of all financial and fiscal information relevant to national, provincial and local government administration and to render advice and make recommendations regarding the finances of and financial relations between the three tiers of government. It is clear that the Commission will play a crucial role in respect of financial and fiscal matters at all levels of government. In this it will face a daunting task that must be tackled with the utmost urgency. I hope to make an announcement regarding the appointments to the Commission in the near future.
Revenues

The present level of taxation relative to the state of the economy can be regarded as adequate. This encouraging situation is to a large extent the result of the structurally sound tax changes introduced last year.

Based on existing tax rates, the total consolidated estimate of revenue for the National Revenue Account is R104.3 billion, 11.2 per cent above the comparable figure for 1993/94. This figure includes all revenue at national and regional level, except the own revenue collections of the former regional administrations.

Excise duties

Maintaining our sound tax structure requires that we should revise excise taxes upwards in line with the general level of price increases on a regular basis.

After consultations with the affected industries the following increases are proposed:

- Beer: 6 cent per litre or about 2 cent per 340 ml can or so-called "dumpy".
- Spirits, e.g. whisky, brandy, gin: about 53 cent per 750 ml bottle.
- Cigarettes: about 7 cent per 10 cigarettes.
- Cigarette tobacco: about 9 cent per 50 gram.
- Pipe tobacco and cigars: 65 cent per kilogram.
- Unfortified wine: 4.5 cent per 750 ml bottle.
- Fortified wine: about 5 cent per 750 ml bottle.
- Sparkling wine: about 6 cent per 750 ml bottle.
- Other fermented drinks, e.g. cider: about 2 cent per 340 ml can.
- Sorghum beer: 1 cent per litre.
- Sorghum beer powder: 5 cent per kilogram.
- Cold drinks and mineral water: about 1 cent per litre.

The increases are roughly in line with the rate of inflation but, where rates had been significantly out of line with similar products, the increases attempt to eliminate at least part of the discrepancy.

The increase in the excise duty on tobacco products is a special case. Based on health considerations, arguments have been put forward for an increase in the excise duty to fifty per cent of the retail price, which is the order of impost in many other countries. After consultations with all interested groups and taking into account industry-specific limitations and market conditions, Government has opted for a phased approach which is reflected in the announced increase. Future budgets will have to deal with the remainder of this issue.

The announced excise increases should yield some R525 million in a full year and some R350 million for the remainder of this financial year. These adjustments take effect immediately. In accordance with Section 58(1) of the Customs and Excise Act, 1964, I now lay the formal tax proposals for excise duties on the Table for consideration by Parliament.

Transition levy

As argued earlier, a levy to defray the greater part of the transition costs is called for. The transition levy will be on individuals and companies with taxable income in excess of R50 000.
Individuals

The levy will be 5 per cent, of which 3.33 per cent, based on 1995 taxable income, is to be collected by 28 February 1995 and the balance of 1.67 per cent, based on 1996 taxable income, by the end of August 1995.

In view of the existing disparity between married men and women, the levy will only be imposed on income exceeding R175 000 in the case of married women. Revised tax tables will be issued in due course.

Taxpayers of the former TBVC states will also be liable for the levy on the equivalent of "taxable income" as defined in the applicable legislation.

It is expected that this levy will yield an estimated R1,460 billion for the current financial year and a further R800 million up to August 1995.

Companies

A rate of 5 per cent will apply on taxable income of companies in excess of R50 000 in respect of years of assessment ending during the period of 12 months up to 31 March 1995. Assessed losses brought forward from previous years will not be set-off in determining such taxable income.

Companies registered in the former TBVC states will also be liable for the levy on the equivalent of "taxable income", before the deduction of assessed losses incurred during previous years, as defined in the legislation applicable to those countries.

This levy on companies is expected to yield some R1,116 billion during this financial year.

General Export Incentive Scheme (GEIS)

The GEIS scheme is currently under review within the National Economic Forum, and proposals for amendment are expected shortly. Payments under the present scheme are exempt from taxation which is unsound in principle and of small effect in increasing the incentive value of the payments to the recipients.

Notice is therefore given that we intend withdrawing the tax exemption in respect of assistance under GEIS with effect from 1 March 1995.

Based on the matters which I have dealt with up to this point, the projected budget deficit, which was 6.9 per cent last year on the updated estimate of GDP, will be 6.3 per cent for the new year. This is a meritorious decrease in the deficit, which becomes more so when we remember that a further almost 0.2 per cent of GDP will be collected in the next fiscal year as we complete our collections of the transition levy from PAYE taxpayers.

Viewing these figures the Government has decided to lose no time in taking two initiatives aimed directly at the stimulation of investment, growth and consequently jobs.

Import surcharge

The first concerns the immediate removal of the import surcharge on all capital and intermediate goods, i.e. all goods carrying the 5 per cent surcharge.
The cost to the fiscus for a full year is some R1.2 billion and for the remainder of the financial year some R800 million or slightly less than 0.2 per cent of GDP. The removal of the remaining surcharges will not be considered now as it may be more appropriate to deal with them in the light of recommendations made by the Tax Commission.

**Income tax: companies**

The second initiative is to complete the process of structural reform of corporate tax which we began last year. This involves lowering the corporate rate from 40 per cent to 35 per cent as from 1 April 1994, while partly compensating for this by raising the Secondary Tax on Companies from 15 per cent to 25 per cent with immediate effect. The net sacrifice involved this year is some 0.14 per cent of GDP or some R600 million. This will be covered in future years by the taxation of GEIS payments so that the corporate sector as such will be paying the same tax but in a framework which is far more favourable for new, small and medium companies and for those most capable of generating greater growth through heavy reinvestment of profits.

The outcome of the tax proposals is an estimated net increase on the printed estimate of R1.5 billion - a reduction of R450 million for Customs and Excise and an increase of R1.9 billion for Inland Revenue. Total revenue for the National Government is therefore estimated to increase by 11.2 per cent to R105.8 billion in 1994/95.

Before dealing with the financing of the deficit, a few other tax issues require brief mention.

**Other tax issues**

- The harmonisation of the tax systems of South Africa and the former TBVC states will be undertaken in phases starting this year.
- The Tax Advisory Committee is investigating the taxation of gains and losses arising from financial instruments and plans to issue a consultative document in this regard.
- Consideration is being given by Inland Revenue to the introduction of revised provisions to facilitate unbundling and rationalisation schemes.

Details on these issues are contained in the Budget Review and more information, where applicable, will be announced at the appropriate times.

**The Budget Deficit and Public Debt**

After the tax proposals take effect, the final consolidated budget deficit will be 6.6 per cent of GDP by March 1995, or equivalent to 6.4 per cent if the full collection of the levy is taken into account. This compares with 6.9 per cent last year on the same basis. This confirms that the downward trend as regards budgetary deficits is alive and well.

Total expenditure including the supplementary proposals for 1994/95 is estimated at R135.1 billion. The estimated revenue, including the tax proposals, is R105.8 billion and leaves a budget deficit of R29.3 billion.
Taking into account loan redemptions and the balance brought forward from the previous year, the financing requirement is R36.5 billion. This amount will again be financed primarily from the sale of domestic stock, although provision is also made for some foreign loans. Financing of this magnitude - inclusive of regional finances - should not influence the financial markets unduly or put upward pressure on interest rates.

As an interim measure, the Minister of Finance was on 27 April 1994 authorised to take over the debt of some R15 billion of the former TBVC states and self-governing territories, as debt of the National Government. The allocation of the asset-related part of this debt to the provinces, as determined by the Constitution, will be finalised at a later date. It should be emphasised that this is not new debt and that previous budgets provided for its servicing cost.

In contrast to the practice last year of funding the deficit in as short a period as possible, deficits are currently being funded as and when they arise. This approach not only prevents the accumulation of large exchequer balances lying idle, but also facilitates the development of a more active market for government stock.

The authorities have also implemented a system of treasury tax and loan accounts since 1 February 1994 whereby tax and loan receipts are deposited in tax and loan accounts at clearing banks, and held in the respective accounts until the money is required by Government. The flow of funds between the private sector and the Reserve Bank, which at times in the past has considerably disrupted the money market, has now been eliminated, thus simplifying money market management and contributing to better cash flow management within the government sector which, in turn, reduces the net cost of financing.

THANKS

Budget planning and preparation, presentation and eventual execution, involves the dedication, cooperation and plain hard work of many people. I pay tribute to the Directors General and the staff in the Departments of Finance and State Expenditure who have made this very complex transition budget happen. The co-operation of government departments, the various regional authorities and other institutions, especially the South African Reserve Bank, was indispensable and I also thank them.

The Departments of Finance and State Expenditure will remain separate departments, but their present Directors General, Dr Estian Calitz and Mr Hannes Smit, who remain in their positions, now both report to me.

We welcome on board Mr Alec Erwin as Deputy Minister and at the same time pay tribute to his predecessor, Dr Theo Alant, who was a valued member of our team. Another relative newcomer is Mr Trevor van Heerden, the Commissioner of Inland Revenue. Mr van Heerden succeeded Mr Hannes Hattingh who retired after a distinguished career in Inland Revenue.

I look forward to working with these newcomers and have confidence that with the continued support of the rest of management and the valued advice of Dr Japie Jacobs, my Special Economic Adviser, we should be able to serve the needs of the people of our country.

The success we have achieved and need to achieve with budgetary control depends ultimately on the support given by the Head of the Government. I am very fortunate to have had unstinting support since assuming this position from my first appointment in May 1992 right up to the present day and wish to convey my sincere thanks and appreciation to the leaders concerned for this vital factor.
THE BUDGET IN PERSPECTIVE

Building on the sound fiscal performance of the past year, today's Budget confronts the challenges head-on. The reconstruction and development imperative is addressed through the first of several allocations from existing resources to the RDP Fund. The Programme itself will also be bolstered by the existing and substantial socio-economic expenditures, which are directly or indirectly related to reconstruction and development.

Concomitantly, fiscal discipline is being maintained through the further reduction in the budget deficit as a percentage of GDP. Within that constraint it was nonetheless possible to improve the corporate tax structure and to take a major step reducing the cost of imported capital and intermediate goods.

The once-off levy on income tax effectively closes the financial book on the transition, without jeopardising the fiscal progress made thus far. In planning our future strategies, we shall be able to draw on the insights of the Tax and the Financial and Fiscal Commissions.

This Government has the legitimacy, the capacity and the resolve to succeed. It is determined to pursue both social justice and aggressive growth - the best of both those worlds, and the Budget seeks to embody this aim.

The members of the Government, the members of this House, and our millions of fellow citizens have spent the past several years demonstrating our ability to set the highest goals - and to achieve them. This is one more. Let's do it again.
ANC minerals policy “won’t affect budget”

Chamber of Mines chief economist Francois Viruli said he did not expect any major changes in the Mineral and Energy Affairs budget, as the present government had not had the time to consider anything new.

What was important was whether the overall Budget would bring about inflationary pressures especially with taxes such as levies which directly affected working costs. Other industries could partly pass on increased working costs to the consumer, he said, but the mining industry had to absorb any cost increases.

The chamber would be watching for any announcements on the general tax rate or the abolition of ring fencing.

Mineral and Energy Affairs Director-General Piet Hugo said mining policy would not be addressed in the current budget, as discussions with major stakeholders were continuing.

Hugo said the department would be slashed – in line with policy for all departments – as the government looked for savings to help fund its RDP.

from MICHAEL URQUHART

JOHANNESBURG – The ANC’s new minerals policy will not affect the 1994/95 Mineral and Energy Affairs budget, says ANC mineral and energy policy co-ordinator Paul Jourdan.

He said mineral rights, the abolition of ring fencing and small scale mining would not be dealt with in the current budget, but minerals beneficiation could be dealt with in the Trade and Industry and Finance Department budgets.

Jourdan expressed concern over mine safety and said more resources should be given to health and safety.

He said money for increased spending on health and safety could come from savings elsewhere in the Budget, such as the Atomic Energy Corporation.

Another avenue for mines to pay depending on their health and safety record – as is already done for health and safety research. In this way, the culprits would be made to pay.

Mintek and the Geoscience Council would be maintained as they were generally efficient and necessary. Jourdan also said the subsidy for pumping at mines such as ERPM should continue.

[Cape Times, 20 June 1994]
First Budget for the New SA
By AUDREY D'ANGELO
Business Editor

A HOLDING budget – the first from this government – is in the offing today which will give a preview of the country’s future financial policy. And while consumers, business people and foreign investors are waiting apprehensively for details there has been a run on “luxury goods” such as liquor and cigarettes which are expected to be more heavily taxed.

The financing of the Reconstruction and Development Programme (RDP), aimed at improving the quality of life of the majority of the population, is expected to dominate the Budget. Since the government has been warned to avoid falling into a “debt trap” by widening the gap between spending and revenue, this is certain to mean raising more by higher direct or indirect taxes.

Finance Minister Mr Derek Keys is virtually certain to announce measures to help the poor at the expense of the rich. But because the economic upswing is still fragile and it is important not to dampen spending or discourage foreign investment, experts expect no drastic measures.

The main features are likely to be:

- An increase in VAT of 1 per cent while more basic foods are likely to be zero-rated.
- Higher income earners could pay a levy or surtax charge on top of normal income tax, while company tax is expected to go up.
- The level at which deceased estates start to incur duty could go down from the present R1 million. This could mean more middle-class families will have to pay out on their inheritances.
- Transfer tax is expected to rise.

Sanlam chief economist Mr Johan Louw said yesterday: “There will definitely be a rise in VAT. We expect more basic goods to be zero-rated but there will probably be a one per cent rise on other items.

“There is a lot of talk of company tax going up by one per cent as the corporate sector’s contribution to financing the RDP. There has been talk of a surcharge, or levy, on the upper income group earning over R80 000 or R100 000 a year, which will probably take the form of adding five or 10% to their income tax.”

Unfortunately, these measures would not be encouraging to foreign investors and “the indications are that interest rates will remain high”, he said.

“I don’t think this will be a radical Budget, though it will affect certain sectors of the economy such as cigarette and liquor sales.”

“In fact, I think the budget will be mildly expansionary, to encourage the economic upswing.”

Chartered accountants Coopers & Lybrand predict estate duty of around 30% will become payable on estates with a net value of R200 000 upwards.

Meanwhile WILLEM STEENKAMP reports that the liquor, tobacco and motor industries are bracing themselves for tax increases on their products.

Orders for liquor and cigarettes increased dramatically in the past fortnight but sources said this was usual before a budget announcement.

Distillers Corporation spokesman Mr Ian Schieteka said orders countrywide had increased tremendously in the past few weeks.

[Cape Times, 22 June 1994]
Hard to check with other years

By Anthony Johnson
Political Correspondent

MAJOR changes in the format of this year's Budget make direct comparisons with previous years difficult - and it's going to get worse.

As a result of constitutional changes, the Budget this time incorporates previous revenue diversions to, and budgetary shortfalls of, former homeland authorities.

The second major change is the more comprehensive inclusion of the informal sector in the calculation of the gross domestic product (GDP) which has resulted in the upward adjustment of 6.8% in the GDP.

Finance Minister Mr Derek Keys cautioned yesterday: “Care should thus be taken in analysing the Budget figures to ensure comparability and avoid misrepresentations.”

[Cape Times, 23 June 1994]
PART 5

A Rhetorical Analysis of the 2002 Budget Speech
The Rhetorical Situation

Eight years after the first democratic election in South Africa, the Minister of Finance, Mr Trevor Manuel presented his fifth budget speech in Parliament on the 20th of February 2002. At this point in the history of the short period of government in a post-1994 state, the economic “miracle” was still lagging behind the political “miracle” of the early 1990s:

The government’s attempts to find a social compact to redress the apartheid legacy – first the Reconstruction and Development Programme (RDP) and then the Growth, Employment and Redistribution strategy (GEAR) – have both ended up on the shelf because they failed to find a viable formula for reversing the legacy of poverty, unemployment and inequality (Battersby in the Cape Times, 22 Feb 2002).

The two main economic strategies of the government in the last 10 years have been the RDP in the mid-1990s (managed by the Minister without portfolio, Mr. Jay Naidoo) and GEAR in the late 1990s. These were the two great plans for development in South Africa: the first being dedicated to reconstructing the country after the 1994 elections (specifically by building more houses and providing water,
electric and other utility infrastructure), and secondly by promoting the growth of the economy and providing more jobs to the poor.

More specifically, in 2002 most people were optimistic about the prospects within the Budget, mainly because of the expected increases in pension and child support grants and a lowering of the personal income tax percentage as a result of returns from "excessive collection of income tax" previously (Koopman, Phahlane, and Michaels in the Cape Times, 18 Feb 2002). Even though the 2002 Budget does not specifically address unemployment, it does create a fundamentally sound economy. One of the big concerns at the time was foreign investment. The Democratic Alliance called for the creation of an environment in which local and foreign investment is nurtured (Michaels in the Cape Times, 20 Feb 2002).

What was not mentioned is equally important: the fall out from the arms deal which was a controversy then and is still going ahead in 2004; and the basic income grant, whereby all people in South Africa received a grant as part of their income (which was part of the original Freedom Charter of the ANC), has not been implemented even though the DA was calling for a R100 across the board income grant; neither was the abolition of exchange controls:

Radical possibilities have evaporated also in the sphere of economic policy. Though it started out the decade with a fairly ambitious left social-democratic agenda, by the late 1990s the ANC in power was implementing neo-liberal policies. After 1992 the recommendations of radical think-tanks were increasingly shoved aside as the ANC's economic policy-makers proceeded to the right (Glaser 2001: 232-233).

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1 These positive outcomes were also hinted at in President Thabo Mbeki's State of the Nation address.
As a developing country and an emerging third world market, South Africa has to follow the guidelines set by powerful western groups, corporations and foundations that sponsor and make loans to the government. South Africa’s government, while it has roots in the liberation movement, turned towards a more conservative economic programme for many reasons, the most important being the creation of long term economic stability and the satisfaction of cautious foreign investors.

In the 2002 Budget speech, which is different from previous years, Minister Manuel, through his increases in grants and reduction of personal income tax, appealed to the people themselves, and not to the corporate world. The Group Political Editor of the Independent Newspapers in the Western Cape, John Battersby, said:

\[\text{... the budget will be remembered for its political and socio-economic importance long after its economic and fiscal achievements have been surpassed. It is a treatise for a social compact in the economic sphere similar to the historical political compromise which was reached after two years of negotiations at the World Trade Centre in Kempton Park. The Budget expresses a national consensus and the society’s future needs and objectives which should enjoy the support of all South Africans. It is clearly a document which is the product of extensive team work in the government and, in particular, the cabinet and its cabinet committees and clusters (Battersby in the Cape Times, 22 Feb 2002).}\]

The 2002 Budget speech is recognised as a “social compact” which comes at a crucial point in South Africa’ development as a nation. Trevor Manuel echoes the president’s State of the Nation address by calling for vuk’uzenzele (Battersby in the Cape Times, 22 Feb 2002). This sort of call\(^2\) will be remembered long after the new tax rates are increased. South Africa has few resources which it has to spread thinly in order to

\(^2\) Also see the discussion below.
create the outcome of the slogan that says the government wants to create “a better life for all.” The key message of the 2002 Budget Speech is that when the people work together on individual and group levels, South Africa will bring about that economic miracle.

Turning now to the speaker whose biography is also part of the rhetorical situation: Mr. Trevor Manuel became Minister of Finance in April 1996. Here is a light anecdote about how he came to be Minister of Finance:

At an ANC caucus meeting President-elect Nelson Mandela looked around the room and asked: ‘Is there an economist here?’ Manuel, sitting distractedly far back in the venue, held up his hand. ‘Fine,’ said Mandela, ‘you will be minister of trade and industry.’ Afterwards colleagues challenged Manuel on why he had wrongly claimed to be an economist. ‘Oh!’ replied Manuel, ‘I thought he said communist’ (Parsons 2004).

Trevor Manuel is South Africa’s first black Minister of Finance in South Africa. At first his appointment was coldly received:

... it was widely assumed, though not often stated in public, that Manuel’s appointment was seen by both local and foreign business people as a departure

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3 Minister Manuel is descended from a minority group, called the Coloured people, who claim mixed race descent from Khoi-San, European, African, Indonesian and Malaysian ancestors. Under the apartheid regime this group was first entirely discriminated against, but later were given nominal rights as part of the tricameral parliament which came into effect in 1984. The Coloured people are sometimes grouped as “black” when Black African, Indian and Coloured people are taken as a set of disadvantaged people.
from the unspoken assumption that, if business confidence in a majority-ruled society was to be won, the finance ministry would be reserved for a white businessman — as it was, twice, after majority rule was achieved in 1994 (Friedman in Parsons 2004: 174).

The two Ministers of Finance that Friedman refers to are Derek Keys and Chris Liebenberg. However, Friedman (in Parsons 2004: 176) states that as the years have passed, Trevor Manuel has built up some respect from the business community while also trying to allay the fears of labour organisations such as Cosatu.

Trevor Manuel has the confidence of his peers and the public since he was involved in the Struggle against apartheid. In 1983 he was elected as Regional Secretary and a National Executive Member of the United Democratic Front (UDF) which was a broad anti-apartheid coalition:

"Mr UDF" Manuel played a key role in organising grassroots support for the ANC during the United Democratic Front era in the 1980s and is a member of the national executive committee of the ANC (Smith in the Weekend Argus, 10 Jan 2004).

But Trevor Manuel has also had the backing of President Thabo Mbeki which has boosted his power to do his job effectively and drive through various reforms (Friedman in Parsons 2004: 179).

The ethos of Minister Manuel comes through in his speeches which are vibrant, filled with character and a visible desire to build the nation, and create a just and equitable society. These claims I will exemplify in the analysis section. The opposition parties

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4 This information is from the ministerial profile on the South African government website at http://www.gov.za.
still complain about the Budget (as they are duty-bound to do!), but the ANC has been the majority party and most critics agree that in 2002 they have aimed the Budget Speech at the right level and in the right direction. This Budget speech generally succeeded in appealing to the people, downplaying the crises of the near past and producing goodwill for the future.

Minister Manuel is the longest serving (so far) Minister of Finance of the post-1994 government of South Africa:

Whether it was the original Gear strategy, fiscal policy, taxation, exchange control or related policy issues, the fingerprints of the finance minister since 1996 have been particularly visible. Important economic events and policy decisions over the past eight years have frequently come to be identified with what the finance minister did, or did not, do or say. Undoubtedly, in South Africa’s first decade of democracy, Manuel has become the most important cabinet minister of this period (Parsons 2004: 2).

Summary of the Budget Speech

Solidarity is the basic message throughout the speech. The speech starts with a quote from Richard Rorty’s book “Contingency, Irony and Solidarity”. The quote sets a creative, social and engaging tone to the Budget Speech; it invokes humanity, and the utopian ideal that we all hope for. The whole of the introduction is about solidarity, where the Minister says that we should not rely on abstract concepts and ideas to build our community, but seek to anchor it to daily solidarities, expressed in deeds and actions, of which this budget is only one, but a particularly visible, example (Manuel 2002: 1).
The Minister then goes on to talk about globalisation and it’s hoped for prospects for the developing countries, but for “many of them in Africa, globalisation has meant increased marginalisation (Manuel 2002: 2).” He explains that the fruits of globalisation should be shared amongst all, especially the poor. He then gives a list of issues which he will speak about which include poverty reduction, social grants, HIV/AIDS, infrastructure, crime, and tax relief.

The Minister also talks about the “partnership”, that South Africa has with countries internationally, but particularly in Africa through his praise for the New Partnership for Africa’s Development (NEPAD).

The Minister then says that the economic outlook of the country should address the “broader social policy concerns alongside growth as an economic ideal (Manuel 2002: 5)”. The budget is oriented towards growth as well as alleviating poverty and investing in infrastructure. This is a holistic approach which incorporates information from the other countries whose economies affects us, for example the investment collapse in the USA after the 11 September 2001 attacks on the Twin Towers in New York city, and the collapse of Argentina. Mr Manuel says that in spite of these events, South Africa’s economy has diversified, the balance of payments has improved, and standards of living have improved across a wide range of the population.

The more important topic is the reason for the depreciation of the Rand in recent months which still remain unexplained. The Minister has instated a commission of inquiry and also thanked the Reserve Bank for managing this unstable situation well. The Department of Trade and Industry will also investigate the sharp rise in food prices which everyone has been concerned about.

Then the Minister moves on to the Budget framework, first spelling out the outcome of 2001, and then the priorities for 2002 which include an increase in public spending “thereby increasing the potential of all our people to contribute to social development
Investment in growth through infrastructure and human resource development and education is also a priority.

The Minister then gives a brief and humorous insight into Estimates of National Expenditure which reflects the delivery of services by the government, which there is some concern about. The contentious issue of social and welfare grants are discussed and the Minister gives the details of the increases for the next year. He then talks in depth about the proposals for health care, primarily the services for HIV/AIDS-related illnesses, and the redistribution of health services to poorer provinces. The fight against crime is boosted.

The most important section is on taxation of companies and individuals, including personal income tax relief for individual taxpayers and small businesses, and reducing the cost of doing business in South Africa. Then the Minister lists the new tax rates on consumer goods, and fuels. Here also the Minister addresses tax avoidance and its consequences, especially as a result of bad corporate governance.

The Minister then concludes by thanking the people who contributed to the budget, including South Africans who contact the Minister via the internet, as well as his family. The speech ends with a quote from Albert Luthuli’s book, “Let my People Go”.

Rhetorical Analysis

The first part of the speech is about building the confidence in the people in order to inspire all South Africans to work together and encourage foreign investment.

The “democratic assembly”, that Minister Manuel refers to on page one of his speech is contrasted to the apartheid House of Assembly of the 1980s which the majority of the people in the audience would remember fighting against. It is now a place where
democracy is practised, where representatives of the people deliberate on issues close to the people’s hearts. It is no longer a place where oppressive plans were formulated.

The budget process has changed substantially\(^5\) since the mid-1980s and the internet also plays a vital role in communicating the budget to the public, via the “Tips for Trevor” portal. Thus the Finance Minister becomes more accessible and the Finance Ministry more democratic.

The speech is very long and has an extended introduction and conclusion which are rich in epideictic rhetoric. The speaker wishes to build the *ethos* of the country, to create enthusiasm and build solidarity. Mr. Manuel’s speech is opulent and vibrant and his words excite his audience and make them believe in the ideas that he is presenting to them.

The 2002 Budget speech is irregular. It is full of quotes at the beginning and end, and contains many erudite references which aims to build the *ethos* of the nation. In his speech, Minister Manuel appeals to the authority of an academic philosopher (Richard Rorty) and an economist (Amartya Sen), and one of the past presidents of the ANC (Albert Lutuli). Aristotle says that we can appeal to the audience by citing an authority, but:

> We must not, therefore, start from any and every accepted opinion, but only from those we have defined - those accepted by our judges or by those whose authority they recognize: and there must, moreover, be no doubt in the minds of most, if not all, of our judges that the opinions put forward really are of this sort (Aristotle, *Rhetoric*, 1396a).

\(^5\) See also Appendix 1.
Not many people in the audience would have read Rorty’s book. But quoting such an authority shows that the speaker is a man of letters and gives credence to his education and authority to speak. It also gives a creative and social tone to the Budget Speech, invoking the humanity and utopia that most South Africans hope for.

The first sentence of the speech is crucial. Minister Manuel speaks with authority since he is a leader who fought in the Struggle against apartheid. Such words uttered from his mouth are significant and serious:

The Budget we present today seeks to embody a philosophy that lies deep in the struggle that has brought us together in this democratic assembly (Manuel 2002: 1).

The words “the struggle” take on a deeper meaning when spoken by Trevor Manuel. They contain the often literal blood, sweat and tears of the majority of the people listening to him. They identify with his carefully chosen words which evoke feelings of strife against an apartheid state which has now become a “democratic assembly”. These words are heavy with meaning, and their purpose is to hook the audience into listening attentively to the rest of the Budget Speech, and they also build Mr. Manuel’s credibility as someone who speaks with authority, someone who personally knows what the audience has worked for. In one sentence, Mr. Manuel claims the power to speak authoritatively; he acquires the trust of his audience by demonstrating through this first sentence that he is well qualified to look after the finances of the country, and has everyone's best interests at heart.

Creating solidarity was the first topic the Minister spoke of, and he did so at length, repeating the word many times, for example:

... seeking to anchor it to daily solidarities ...

...solidarity that saw us through centuries of oppression...
He also says that solidarity is not something that "just happens", but it has to be created consciously by the people and by their leaders. This is in opposition to the 46 years of official apartheid rule that divided people by stripping them of their land, community and social identity. The Minister says that a society, a nation that has come of age, "will not come about by belief alone. It is a society we seek to create (Manuel 2002: 1-2)." This in itself has an emotional appeal, because South Africa is still a divided society, especially in terms of wealth. Therefore, with the implementation of the proposed budget, a new society is created.

The Minister goes on to talk about the provision of basic services to poor communities. The present government has often been criticised for their slow delivery of these services. Mr. Manuel says:

We create it [solidarity] in our communities when a person who has never had running water opens a tap in her own back yard, when a family turns on an electric light for the first time (Manuel 2002: 2).

The imagery in this extract is emotive and appeals to the people of South Africa who do not have basic services who have had them installed, and who want it provided for everyone. This then provides the Minister of Finance with a hook to get them to buy-in to the budget since he talks and gives them a picture of what they desire. The Minister speaks about a "better life for all", and the budget is a step to creating that wealth and happiness.

South Africa has a high rate of poverty, but the United States must not see it as a "presumed seed-bed of terrorism", especially after the September 11 attacks on America's Word Trade Centre, and the resultant "war on terrorism". Instead, the Minister focuses on the romantic aspect of Africa as the "cradle of humanity", which creates pride in Africa, and being an African becomes something to be proud of and increases satisfaction in living and contributing to society in Africa. Manuel also
 touches on the emotions of people who understand that there is not equality in the world yet, let alone equality in South Africa. But he uses global terms to speak of a future where there is a “… society that recognises the life of a Mozambican child is as precious as that of an American child (Manuel 2002: 2).”

Friedman (in Parsons 2004: 184) says that the Minister is thus balancing a fine line between business and labour:

… it could be argued that Manuel’s repeated … stress on the social equity concerns that his macroeconomic policy is said to have discarded was an unsuccessful attempt to regain credibility from those sections of the ANC constituency which Gear’s launch alienated.

[And later, Friedman says that] Despite his [Manuel’s] activist background and his strong roots in the anti-apartheid struggle – in which unions were often key allies of the UDF which Manuel served – he has not won support for his reforms from Cosatu or from other sections of the broader ANC camp who favour aggressive action against poverty. The rhetoric with which he has tackled the task has shown a sensitivity for the need to recognise that poverty and inequality matter. But the evidence suggests that his critics in the ANC find the talk unconvincing – not least because it has not been accompanied by an attempt to negotiate change with labour and its allies (Friedman in Parsons 2004: 191-192).

Minister Manuel speaks in broad terms of “taking charge of our destiny”, using language that creates hope and appeals to people who wish to create a new life for themselves in the new South Africa. All of these show the ethos of the Minister as well, as a thinker, as someone who grapples with the mundane task of taxation as well as seeing how the tax system can lead to a major increase in the quality of life of all South Africans.
The Minister of Finance wants to make it clear to everyone doing business or earning an income in South Africa, that they should pay their taxes:

In some cases taxpayers are not aware of their obligations. In others, tax is avoided by aggressive tax planning, while purportedly adhering to the letter of the law. Then there are those who simply ignore their obligations. An increasing number of people are finding that this is a dangerous choice. … As these unfold, SARS will ensure that those who approach the Revenue Service voluntarily to meet their obligations will be met with a helpful and sympathetic reception. Those who don’t will meet us in court (Manuel 2002: 27 and 28).

The Minister uses a humorous pun on the word “meet.” A pun is defined as a figure of speech that makes a play on words (Corbett 1990: 447). This particular type of pun is called *syllepsis* which is the “use of a word understood differently in relation to two or more other words, which it modifies or governs” (Corbett 1990: 448). The pun consists of three uses of the word “meet”. Firstly, it is used figuratively in “meet their obligations”, and then literally in “meet people” in a less threatening way, and then “meet us in court” which is the more threatening way to meet. Through the use of this pun, Minister Manuel drives home the point that tax collection is not only a random duty, or a means for the enrichment of the government, but it is the means we use to uplift the poor through the initiatives of the government. The “obligation” referred to then becomes an obligation not to the government, but to the tax-payers’ fellow human.

Also the Minister provides an argument for the payment of tax; he speaks of solidarity, and building a more humane society. This in itself should be a call for people to pay up their taxes:

As the larger transformation gathers momentum, we will find that our investment in improving tax compliance contributes not just to government
revenue, but also to improved accounting and auditing, better governance and reduced financial risk in the business community at large (Manuel 2002: 16)

The argument of the Minister is that if people pay their taxes, then the country will function better, and then more foreign investment will come into the country, which is in everyone’s interest.

The Minister’s sense of humour comes across also in his thanks to those who assisted him in compiling the budget which is at the end of the speech:

A special word of thanks is due to the many South Africans who took time and made the effort to write, fax and email us their suggestion for the budget. ... I am sorry that some ideas – such as the abolition of Personal Income Taxes – could not be accommodated. ... Apologies also to the correspondent who requested that ice-rink tickets be zero-rated for VAT purposes (Manuel 2002: 30).

Here the Minister of Finance uses irony to show the absurdity of some ideas that have been put forward by placing them in a ridiculous situation of “thanks”. Irony is defined as the “use of a word in such a way as to convey a meaning opposite to the literal meaning of the word (Corbett 1990: 454).” The Minister uses the word “sorry” ironically – he is faking sorrow at not being able to implement all the ideas sent to him, including the crazy ones. The humour also stems from the fact that the Minister, while it might seem that he is readily accessible, is not all that readily contactable by the ordinary public. But the way the Minister of Finance puts it across induces humour, and does not harshly ridicule the writer’s efforts to persuade the Minister. Having a sense of humour endears the Minister to his audience, making him seem more real, and not just a government pawn.
The humour in the speech is also found in the anecdote of a pizza delivery company who took the business opportunity of having their photo taken with the Minister because of an administrative bungle. This shows that the government administration does not pretend to be impervious to mistakes, but can work with business to formulate new opportunities (Manuel 2002: 9). Again, the rhetorical value of this humour brings the speaker closer to the audience.

Comedy, amusing anecdotes, and inserting humour at crucial points in a speech creates common ground between the speaker and audience, it drops barriers, and endears the speaker to his or her audience. This creates the ethos of the speaker as a fair person who displays a frankness without being austere. However, Aristotle warns us about “those who reply with humorous levity when we are speaking seriously, for such behaviour indicates contempt (Rhetoric, Book II, chap. 2, 1378b). But in the case of the 2002 Budget Speech any reader should be able to see that the humour in the speech is used positively to bring about consensus.

The Minister also demonstrates that he has the best interests of the country at heart when he says of a proposed bill on the audit profession in South Africa: “…it is my view that the Bill does not go far enough (Manuel 2002: 29)”. Considering the recent scandals in the USA in the media, the Minister takes care not to have corporate governance in South Africa fade into nothing, which will mean that the country has no way of encouraging foreign investment, which is seen as a way for South Africa to root out poverty. This will steer investors to other countries with more ethical ways of doing business which South Africa cannot afford.

There are many executive summaries in the speech which are examples of the common topic of cause and effect. Some of the series start with action verbs, for example:
steps up...increases...sets aside...boosts
spending...directs...allocates...raises...sets aside... (Manuel 2002: 17).

It seems that the Minister wants to make things as clear as possible to his audience. The Budget Speech is often a very long speech, lasting nearly 2 hours, and the change in language as used above, changes the pace and strikes the attention of the audience.

There is also the formulation of the “proposal” which is part of introducing the budget to Parliament. The Minister says that, for example:

... we propose this year to reduce income taxes on individuals ...
... the following revisions are proposed ...
... it is proposed that certain of these should be abolished ...
... The budget we table...

In the last example, we see the type of proposal that the Minister makes is more like a recommendation that he knows will be voted for by Parliament. The Minister also makes a pun on the word “proposal” which comes to have a special meaning in the Budget Speech: “You will be pleased to learn that I do not propose to list the full set,” and thus bore the audience.

The statement of the gains and losses is apparent in this speech as well, for example:

... a possible revenue loss of R40 million in 2002/3...
... revenue losses of R36 million ...
... These steps will increase revenue by R100 million ...
... there will be no change in the general fuel levy on diesel and petrol this year
The Minister shows that he has calculated the effects of the changes that he proposes, and in this way he builds credibility with his audience, so that they will support his budgetary proposals.

In terms of elocutionary aspect, the 2002 Budget Speech is rich in imagery and wordplay. For example, the repetition of "more" in the following excerpt:

This budget makes an important contribution to achieving a more caring, more compassionate, more prosperous society. A society with the imagination to achieve solidarity, freedom from poverty and human dignity. A society that nurtures its children (Manuel 2002: 30-31).

On page 4 of the speech, the phrase "a partnership" is repeated 6 times. This emphasis shows the approach of the government, that is to say, the community and business working together. The partnership is for development in Africa – no longer is Africa and South Africa willing to take handouts from the developed nations, but they will actively participate in their own upliftment through partnerships with each other.

The Minister also uses lists, statements of what comes first, second, and so on, in order to create a structure for the reality of his audience, for example:

First, a large group of developing countries accounting for some three billion people became players in global markets. Second, international migration and capital movements increased dramatically reshaping trading patterns and ownership structures. Third, for some developing countries, many of them in Africa, globalisation has meant increased marginalisation (Manuel 2002: 2).
He also uses *anaphora* many times when he repeats the word “create”:

... It is a society we seek to create...
... We create it [solidarity] in our communities...
... We create it in our region ...

*Anaphora* is a figure of speech defined as the repetition of the same word or group of words at the beginning of successive clauses (Corbett 1990: 437). The Minister of Finance tells his audience through this repetition that the society that he envisions is not one that the government can create alone, but needs the contribution of everyone in the country. He repeats the word “create” to help his audience remember, to make it real for them that they have to be actively involved in the process of building the nation. The Minister structures his paragraphs in such a way that his audience sees how through solidarity, and poverty eradication, a better society is created first at grassroots level in the community, then at the regional level, and then at a global level. The repetition helps the audience to see the flow of thought and the vision of the Minister of Finance who represents the government.

The most important elocutionary rhetoric that the 2002 Budget Speech has is when the Minister exhorts people to *vuk'uzenzele*:

Unleashing this potential requires that we act together as a nation. That we embrace the spirit of *Vuk'uzenzele*, and allow the needs, aspirations and interests of our country and economy to shape our respective roles, responsibilities and responses (Manuel 2002: 11).

This is a word in Xhosa which means to volunteer your time for your fellow man without expecting a return. It also has connotations of “collective responsibility” which the Minister refers to later on. This word has the same status as “*ubuntu*” which means having compassion for your neighbours. It is a core suggestion to the
people to help build the nation not through handouts from the government, but through working together and using the government as a support to making South African wealth and prosperity. Using the language of the oppressed people includes them, makes them feel that they are no longer objects of government policy, but shows that their contribution is integral to the success of the country. Mr. Manuel is the first Minister of Finance to freely use terminology from an indigenous language such as Xhosa because the majority of people who voted his party into power is in the audience; it helps the audience to identify with him and his message.

A most significant feature of the Budget Speeches in recent years has been the metaphor of “the fruits of liberty”. Aristotle holds the use of metaphor in high regard, because he says it is a great thing to be a master of metaphor (*Rhetoric*, 1459a). The Minister of Finance has indeed been a “master of metaphor” because he has made a most remarkable extension of his chosen “fruits of liberty” metaphor, from a poetic quote in 2001, to an anecdote in 2002, and to media sensation in 2003.

In 2001, Minister Manuel first introduced the “fruits of liberty” metaphor, by quoting a poem, titled “Afrique!” which was written by David Diop, at the very beginning of his speech:

... Impetuous son, that tree young and strong
That tree there
In splendid loneliness amidst white faded flowers
That is Africa your Africa
That grows again patiently and obstinately
And its fruits gradually acquire
The bitter taste of liberty

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6 In 2003, there was no fruit metaphor in the speech *per se*, but in an interview with various media personnel there were baskets of fruit on display.
The bitter taste of liberty? Does the lemon always ripen before the sweet plum? Or do we have it in our power to determine for ourselves the quality of the liberty we earn from struggle?

The budget we table before this House today is the story of an irrevocable and powerful transformation. It is the story of a nation which has worked without rest to build a new history for its children. Like Diop's young tree at the edge of the ancestral savannah at the dawn of our continent's independence ours is a story of patience and obstinacy. Of determination and hope. Of activism not atavistic tolerance. Of choice not fate. We have sought to remove the thorns of neglect and inhumanity. To restore pride and dignity. To lift the crushing weight of poverty and disempowerment. We have sought to heal the scars and nurture the tree. We have sought to show our children that we have the power to enjoy the sweet fruit of liberty. The Budget we table today is testimony to the success of our transformation policies (Manuel 2001: 1).

In the 2001 speech, the words “fruit” and “fruits” are mentioned no less than 12 times. The “sweet fruit of liberty” is the metaphor that makes vivid and real, almost tangible, the rewards of the hard work that resulted from the liberation of the South African people in 1994.

In the 2002 speech Mr. Manuel says, when he announces the cut to personal income tax rates, that the country is able to “harvest the sweet fruits (Manuel 2002: 3)”. This imagery is emotive and appeals to people who live in poverty (especially in the rural areas), who form a substantial part of Minister Manuel’s audience. Here we see how he uses the image to persuade the audience to pay their taxes because it results in a decrease in the tax rate, and also what is termed as “better quality service to all taxpayers.”
In an interview with journalists on 27 February 2003, it was reported in the *Argus* newspaper that:

Finance Minister Trevor Manuel chewed a sweet and juicy plum as he answered media questions before delivering his seventh budget speech.

"In 2002 we quoted the poet David Diop on the bitter fruits of liberty," he said when asked to explain the symbolism of the ripe plums piled high in a basket on his desk. Journalists were each handed four plums.

"Then (in 2002) we asked: Does the lemon always ripen before the sweet plum?" said Manuel, "or do we have it in our power to determine for ourselves the quality of the liberty we earn from struggle?"

"Now the sweet plums are there – that's the significance of this Budget," said Manuel, looking pleased with himself, "You plant, you work at it, you cultivate, you nurture, and the fruit ripens with time."

By this time, Manuel had devoured one of the reddest, and presumably, sweetest plums in his basket (Battersby, *Cape Argus*, 27 Feb 2003).

This is how the fruit metaphor develops from a poem in 2001 to journalists’ reality as they actually eat the sweeter plums in 2003. And that’s how the metaphor develops for the audience as they first hear about the idea and then literally receive the benefits of a well functioning government.

But the metaphor goes even further back to 17 February 1999, when Mr Manuel opened his Budget Speech for that year with a quote by Ben Okri:

"Time is growing... When will our suffering bear fruit? One great thought can alter the future of the world. One revelation. One dream.

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7 This is probably an error in the report: the speech referred to was actually 2001, with the 2002 speech only referring to the “harvest of the sweet fruits”.
But who will dream that dream? And who will make it real?"

Ben Okri, *Infinite Riches*.

The Budget we table in this Parliament today bears testimony to the fact that as a nation we dared to dream. That through our tormented past we kept the dream alive. We understood then as we do now that the fruits of progress come slowly, one harvest a little richer than the last. Our great thought was freedom, our dream a better life for all. We dreamt that dream and we have the courage to make it real (Manuel 1999:1).

The metaphor\(^8\) of “the fruits of liberty” is not merely an ornament (as was thought in Aristotle’s time), but it is an integral part of the argumentative process. Wayne Booth says that when a metaphor is used:

… more is communicated than the words literally say. What the more is cannot be easily described. Aristotle and others call it energy, which does put us in the right direction…. the speaker has performed a task by yoking what the hearer had not yoked before, and the hearer simply cannot resist joining him… (1978: 52).

Booth says that more meaning and a richness is given to the audience than simply stating the case. The use of particularly emotive words like “fruits” and “liberty” strike a chord in every South African’s hearts and so captures their minds. How this works is explained by I. A. Richards:

\(^8\) See also the discussion above, at the end of Chapter 2 (which discusses the art of Rhetoric).
In the simplest formulation, when we use a metaphor we have two thoughts of different things active together and supported by a single word, or phrase, whose meaning is a resultant of their interaction (1965: 89).

Richards uses the term “Interanimation” to describe what happens when a metaphor is used rhetorically. It is described as a “borrowing between and intercourse of thoughts”. The two ideas that are compared and contrasted in a metaphor are not a trick in the language. It is an exchange within the mind of connections and associations that a particular name and image have. This is how the meaning of a metaphor is created. Therefore, metaphors are a powerful tool for argumentation because they allow the audience to vividly and actively see the point of the orator.

Metaphors also are integral to argumentation because they rely on the logic of analogy. Perelman (1982: 120) makes a distinction between the theme and phoros of a metaphor. For an analogy which is stated as $a$ is to $b$ as $c$ is to $d$, the theme is $a$ and $b$, and the phoros is $c$ and $d$. This is unlike the distinction between the tenor and vehicle of a metaphor that Richards makes. This is because Perelman talks about the parts of the metaphor and Richards is concerned with the metaphor as a whole and its meaning. Perelman explains that metaphor is a condensed analogy because the theme and phoros of the analogy are fused in the metaphor, in the sense that they are shortened forms of the original analogy.

An audience is also persuaded by a lively metaphor, a vivid, graphic imaginative metaphor (Rhetoric, Book 3, chap. 11) because this figure of speech passes on new information to the audience in the sense that, to be effective, it must contain a relation that is new or not so obvious to the audience, so that the audience will be pleased or surprised in learning something new and interesting (Rhetoric, Book 3: 11).
Moving to the conclusion of the 2002 Budget Speech, Mr. Manuel ends off with hope for the future and for providing a framework for the solidarity that he spoke passionately of at the beginning of his speech (Manuel 2002: 30-31).

Thanking the assistants and colleagues is also part of the concluding remarks of this speech and shows the warmth of the Minister for his fellows:

... The Governor, Mr Tito Mboweni, must be commended... ...
... allow me to express my profound appreciation to: President Thabo Mbeki for his leadership and the challenge he puts before us, before this house, before this nation and before our continent ...
... Team Finance ...
... Last but not least, to my family for their unwavering support...
(Manuel 2002: 18, and 30-31)

There is a certain intimacy here; probably the people he speaks about are in the seats of Parliament, like the President, listening to his presentation. There is no mention of the outside world, or of people in other countries or organisations in other countries that have assisted. This seems to show that the government has created a budget that is home-grown by South Africans for South Africans. This also shows the Minister’s magnanimity and goes as evidence of the type of person he is: the Budget Speech is delivered by a man who gives credit where credit is due. This in turn builds his credibility and serves to bolster the positive ethos developed earlier in the speech.

To conclude briefly, it seems that Manuel has grown into the job of Minister of Finance and his great communication skills have helped him to put his case across brilliantly (Parsons 2004: 217). To date, it seems that Trevor Manuel is one of the best Finance Ministers in South Africa’s history (Parsons 2004: 219).
Budget expected to have something for everyone

ANDRE KOOPMAN, CHARLES PHAHLANE and JEREMY MICHAELS
Parliamentary Bureau

FINANCE Minister Trevor Manuel has indicated the nation is in for good news when he delivers his Budget this week.

In the past few years Manuel has put billions into the public’s pockets with a tax-cutting regime and indications are that he will do so again this year.

With state coffers full because revenue collection has exceeded projections, Manuel is expected to announce wide-ranging tax cuts.

Some economists have said he could cut personal taxes by about 2% and that he will also have good news on company taxes.

SG Securities chief economist Nico Czyplonka said he expected a “political” Budget without an attempt to be “populous”. The extra revenue would be used to cut taxes marginally and to focus on areas of need, such as reducing the cost of debt financing.

“It will be a broadly neutral Budget. We have seen an exces-sive collection of income tax and it will have to be given back,” Czyplonka said.

He foresaw an increase in spending on social infrastructure and a marginal increase in tobacco and alcohol excise duties. Companies that created jobs might be rewarded with tax incentives, he said.

Econometrix economist Tony Twine said his wish list included an increase in the threshold on interest earned on savings above R4 000, a rise in tobacco and alcohol taxes and the elimination of secondary tax on companies.

Twine said good revenue collection had given Manuel enough to enable him to cut VAT by 1% to 13%, but he did not expect him to do this.

He believed the extra revenue would be used to neutralise fiscal drag and provide relief for low-income earners.

“I expect a moderately good Budget on balance. But, as always, the devil is in the detail,” Twine said.

Manuel would have to balance increasingly strident demands from the African National Congress’s core constituency for a great leap forward in social spending and delivery with demands from business for greater tax cuts and a stricter regulatory framework, he said.

It seemed unlikely that Manuel would announce a basic income grant, but there had been indications that the government wanted to increase infrastructure spending to boost job creation and appease its alliance partner, the Congress of South African Trade Unions.

Manuel may not have a knock-your-socks-off announcement about poverty alleviation, but senior government sources have indicated the government is intent on creating projects to serve senior ANC leaders well as they face elections at the ANC’s end-of-year conference.

Manuel is also set to increase social spending. In his State of the Nation speech, President Thabo Mbeki said that the plight of the poor was at the top of the government’s agenda and that “old age pensions and child grants (will be increased) by far more than the rate of inflation”.

Some economists said Manuel would spend more on police and the criminal justice sector, education and health. The big question was how much he would allocate to combating HIV/AIDS.

Because the government was serious about reducing crime levels, the treasury usually complied with Minister of Safety and Security Steve Tshwete’s demands for more money, economists said. Tshwete had said recently that police numbers would be increased by 5 000 to 127 000 by next month and 140 000 in three years.

The Democratic Alliance has called on Manuel to ease the burden of those South Africans whose confidence in the economy has been “badly shaken” and who have given up hope of building a better life.

The crisis in Zimbabwe and “downgrading of South Africa’s political risk profile” added to the country’s problems, said DA spokesman Ken Andrew.

“The Budget must restore confidence in our economy and give new hope to those who ... despair of finding a job. Above all, the Budget must create an environment that encourages rapid economic growth of 6% or more a year. This is the only way jobs will be created.”
Parties optimistic that Budget will meet their wishes

FINANCE MINISTER Trevor Manuel will have the nation's attention this afternoon as he delivers the Budget for 2002/2003 in parliament.

Opposition parties were keen to get the last word in yesterday about what they expected the Finance Minister to say and tabled demands that ranged from a basic income grant for the unemployed to positive news for taxpayers.

The Democratic Alliance (DA) said it expected the Budget to "restore confidence" in the economy, "particularly amongst domestic and foreign investors".

"Above all, the Budget must create an environment which encourages rapid economic growth of 6% or more a year," said DA spokesman Ken Andrew. "This is the only way in which jobs will be created on a sustainable basis and poverty eradicated."

According to Andrew, domestic savings and fixed investment fell "hopelessly short of what is required".

Manuel's Budget would have to lead to a boost in savings, said Andrew. "To save, people must have disposable income. Substantial income tax reductions across the board are essential. "The abolition of estate duty and donations tax is necessary."

MAGIC TOUCH: Finance Minister Trevor Manuel with his Budget bag, ready to present today's Budget speech.

"To save, people must obtain real, after-tax returns on their savings, not the current negative returns.

"Fixed investment could be promoted by "increased expenditure on capital infrastructure, including a public works programme".

The New National Party expects "a positive Budget", according to MP Pierre Rabie. "There will be tax cuts for all income groups and then there'll be wage incentives through tax breaks," said Rabie.

"There will also be further tax allowances for small, medium and micro enterprises, and this follows from President Thabo Mbeki's State of the Nation address in which he stressed the importance of black economic empowerment, social upliftment and economic growth."

Sin taxes and the general fuel levy would be increased and there would be a fuel price subsidy for the taxi industry, the party predicted.

The United Democratic Movement hopes "that the 2002/2003 Budget will address the crucial issues of poverty alleviation, job creation and real economic growth", according to MP Gerhard Koomhof. "It is widely expected that revenue will exceed expectations, and that the minister of finance will use this opportunity to achieve the long-awaited economic miracle in South Africa," said Koomhof.

See Pages 6 and 10

CAPE TIMES, 20.02.2002
IT is perhaps the greatest irony of the liberation struggle that just as the African National Congress was poised to return to South Africa after three decades in exile, the Berlin Wall collapsed and the notion of wealth redistribution through central policies was finally dismantled.

The death of the socialist or communist state as the basis for equality and justice effectively prevented the implementation of the Freedom Charter's fundamental principles which were central to the ANC's vision of a new South Africa.

The ANC, which was to have been the vanguard of the liberation movement, was now faced with the task of building a political and economic system that would ensure the maintenance of peace and prosperity in the post-apartheid era.

Since the ANC returned from exile and subsequently took over the reins of government in 1994, the ruling party has attempted to address the apartheid legacy through a range of policies and programmes.

Today, South Africa is well placed to participate in the growing diversity of global economic integration and to underpin the country's growth as it seeks to address the burning issue of poverty, inequality and unemployment.

The government's attempts to find a social compact to address the apartheid legacy - first the Reconstruction and Development Programme (RDP) and then the Growth, Employment and Redistribution strategy (GER) - have been met with resistance from various quarters.

In both models, reconstruction and job creation was to be the main focus with special emphasis on the transformation of the criminal justice system and the provision of basic services to all South Africans.

This year, the government continued its efforts to reduce poverty and improve the lives of the people in the rural areas, including the provision of water and electricity, and infrastructure development.

This was a testament to the government's commitment to improving the lives of the people and reducing inequality.

The 2002 Budget was presented on Wednesday and contained significant increases in social and infrastructural spending.

A major highlight of the Budget was the allocation of funds to the country's strategic plan, which was aimed at improving the lives of the people and reducing inequality.

The government also announced that it would continue to implement its social development and poverty alleviation policies, which were aimed at reducing poverty and improving the lives of the people.

This year, the government continued its efforts to reduce poverty and improve the lives of the people in the rural areas, including the provision of water and electricity, and infrastructure development.

The Budget provides for the continued implementation of social development and poverty alleviation policies, which are aimed at reducing poverty and improving the lives of the people.

The government also announced that it would continue to implement its social development and poverty alleviation policies, which are aimed at reducing poverty and improving the lives of the people.
Impassioned call: end factionalism, tribalism and disruption ahead of election, says finance minister

Manuel slams divisive elements in ANC

ASHLEY SMITH

Finance minister Trevor Manuel this week made an impassioned call to end factionalism in the African National Congress in the Western Cape ahead of this year’s general election.

He hit at “disruptive”, “factionalist” and “tribalist” elements in the provincial ANC.

Also under fire were ANC members who only sought to enrich themselves while the majority still experienced abject poverty.

“Mr UDF” Manuel played a key role in organizing grassroots support for the ANC during the United Democratic Front era in the 1980s and is a member of the national executive committee of the ANC.

He was speaking at the Athlone Civic Centre—where many of his fiery speeches during the apartheid struggle—and a short distance from the site of the notorious “Taj horse” attack in Belgravia Road when apartheid police fired at people from a truck.

This week he laid into members of splinter groups within the Western Cape ANC, saying there should be a return to the founding principles of the party in which tribalism, factionalism and members disrupting the activities of the organisation should come to an abrupt end.

His comments follow months of tension in the provincial ANC which culminated in a report being circulated which alleged that it was divided into the so-called Africanist agenda camp, the coloured Christian nationalist camp and a camp under provincial ANC leader and finance MEC Ebrahim Rasool.

Chair of the provincial committee of the Congress of South African Trade Unions (Cosatu) announced in Athlone that the organisation would focus its energies on these two provinces in a bid to mobilise workers to vote for the ANC.

Cosatu also emphasised that without unity the ANC would not be able to perform well in the upcoming elections, for which the date will be announced shortly.

After surviving an internal battle ahead of last year’s ANC provincial list conference, Rasool has emerged in pole position to be the party’s candidate for Western Cape premier.

Tomorrow President Thabo Mbeki is expected to announce the nine provincial premier candidates who are to lead the provincial branches of the ANC into battle for the general election.

Although Rasool emerged as number one on the ANC’s provincial list following the list conference last October, it is President Mbeki’s prerogative to appoint the candidate for Western Cape premier.

The run-up to the Western Cape provincial list conference saw candidates being pitted against comrades as tensions around positions took centre stage.

A proposed list was circulated before the conference which contained none of the names of the provincial ANC leaders, including Rasool’s.

A document was also leaked to the Weekend Argus that alleged that the provincial ANC was split into three distinct camps, namely the so-called Africanist agenda camp, the coloured nationalist camp and the Rasool camp.

The document also alleged that the Africanist agenda camp was lobbying very actively to unseat Rasool as the ANC’s candidate for Western Cape premier.

Speculation is that ANC-MPL and provincial speaker Lynn Brown is in line to be the candidate for premier of the Western Cape.

But there has been increasing talk within ANC circles this week that Rasool would get the nod as Mbeki’s choice to lead the ANC campaign in the province.

In 1994 the party came a poor second in the Western Cape to the New National Party in the country’s first democratic elections, but in 1999 managed to be the biggest party with 42% of the vote.

They were denied a chance to govern by the NNP and Democratic Party, joining forces to rule in coalition as the Democratic Alliance.

This continued until October 2001, when the NNP split from its marriage to the DA and joined the ANC in coalition.

The coalition between the ANC and National Party is likely to continue after this year’s election even if the ANC gets an outright majority in the provincial election.

However, the premiership is not cut and dried and it is an open secret that it will only be under exceptional circumstances that Van Schalkwyk will be allowed to continue as the provincial premier.

Sources said there was no way the ANC could justify to its members that Van Schalkwyk retains the premiership if the ANC was the more senior partner by far in the provincial coalition.

Speaking at the Western Cape ANC’s commemoration of the party’s 92nd birthday this week, Manuel said the present crop of ANC members should ask themselves whether they were worthy of following in the footsteps of those who sacrificed all to win political freedom.

He said the ANC was built on the core values and principles of the party in which tribalism, factionalism and members disrupting the activities of the organisation for personal gain and that members should not be divisive or foster tensions such as “tribalism” and “factionalism” in the organisation.

Manuel also lashed out at ANC members who were seeking only to enrich themselves while the majority still experienced poverty in the country.

He said the ANC was not about creating a few millionaires or billionaires, but had as its goal eradicating one of the most “dehumanising” experiences for South Africans—poverty.

He said it was up to the Western Cape ANC to energise their branches, speak to the people and win back their trust so that they could sweep to victory in the Western Cape.

He said if the ANC were to make alliances with other parties after the elections, the alliance would be founded on the core values and principles of the ANC—oldest liberation movement in Africa.

Since the first democratic general election in 1994 there were only two provinces in which the ANC had failed to win a majority at the polls—KwaZulu-Natal and the Western Cape.

ANC alliance partner the Congress of South African Trade Unions (Cosatu) announced in Athlone that the organisation would focus its energies on these two provinces in a bid to mobilise workers to vote for the ANC.

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Cracking the whip: Minister of Finance Trevor Manuel has laid into members of splinter groups within the Western Cape ANC.
MINISTER, MR T.A. (TREVOR) MANUEL

Mr Manuel was born on 31 January 1956, grew up in Kensington, Cape Town and matriculated from Harold Cressy High School. He completed a National Diploma in Civil and Structural Engineering at the Peninsula Technikon and studied law during his many periods of detention.

Mr Manuel entered public life in 1981, being elected soon thereafter as Regional Secretary and a National Executive Member of the United Democratic Front (UDF), a broad anti-apartheid coalition. For these activities he was repeatedly detained without trial, or placed under house arrest between 1985 and February 1990, spending a total of thirty-five months in detention. In 1991 Mr Manuel was elected to the National Executive Committee of the African National Congress (ANC) and appointed head of the Department of Economic Planning, thereby being responsible for the shaping of ANC Economic Policy. Mr Manuel was elected a Member of Parliament in South Africa's first democratic elections, and in May 1994, he was appointed Minister of Trade and Industry. He was appointed Minister of Finance in April 1996.

In 1994 Mr Manuel was selected by the World Economic Forum as a "Global Leader for Tomorrow", appointed to the Advisory Committee of the UN Initiative for Trade Efficiency, and awarded the Africa Prize by the German Africa Foundation. In 1997 Minister Manuel was named Euromoney's "African Finance Minister of the Year". In September 2000, he served as Chairman of the Board of Governors of the International Monetary Fund during the annual meetings in Prague. In February 2001 he was inducted as a member of the South African Academy of Engineering, and awarded an honorary doctorate [Doctor in Commerce (D.Comm), honoris causa], by Stellenbosch University in December 2001. On 13 March 2002 he had an honorary doctorate conferred upon him by the University of the Western Cape [Doctor of Commerce (honoris causa), and on 16 March 2002 he was awarded an honorary doctorate [Doctor of Technology (honoris causa)] by the Peninsula Technikon. On 15 November 2002, he was awarded an honorary doctorate [Doctor of Technology (honoris causa)] by Technikon SA, and on 02 April 2003, he was awarded an honorary doctorate [Doctor of Economics (honoris causa)] by the University of Natal.

In his capacity as Minister of Finance, Mr Manuel serves as a Governor on the Board of the World Bank Group, the African Development Bank Group and the Development Bank of Southern Africa. He is the Chairman of the Southern African Development Community Finance and Investment Sector.

In January 2002 he was appointed Special Envoy of the United Nations Secretary-General for the United Nations Conference on Financing for Development, which as held from 18 – 22 March 2002, in Monterrey, Mexico.

Source: http://www.treasury.gov.za
Trevor's PLUM budget

By JOHN BATTERSBY, Group Political Editor

Finance Minister Trevor Manuel chewed a sweet and juicy plum as he answered media questions before delivering his seventh Budget speech.

"In 2002 we quoted the poet David Diop on the bitter fruits of liberty," he said when asked to explain the symbolism of the ripe plums piled high in a basket on his desk.

Journalists were each handed four plums.

"Then (in 2002) we asked: 'Does the lemon always ripen before the sweet plum?'" said Manuel.

"Or do we have it in our power to determine for ourselves the quality of the liberty we earn from struggle?"

"Now the sweet plums are there - that's the significance of this Budget," said Manuel, looking pleased with himself.

"You plant, you work at it, you cultivate, you nurture, and the fruit ripens with time."

By this time Manuel had devoured one of the reddest and, presumably, sweetest plums in his basket.

The tradition of using fruit to symbolise the Budget theme began in 2001, when Manuel's apples marked the start of delivery of the fruits of democracy.

Last year, bunches of grapes marked "the fruits of our labour". But the sweet plums were chosen to coincide with by far the most expansionary Budget that Manuel has presented.

As he polished off his plum, Manuel was asked what fruit he would be eating a year from now.

"Fruit salad," he replied sharply.

"But we must work to ensure that all South Africans share in the sweet fruits of liberty."

Finance Director-General Maria Ramos conceded jokingly: "We are running out of fruits."
Picture: Terry Shean, published in the Sunday Times, Budget 2002 Special

Finance Minister, Trevor Manuel, delivers his Budget in the National Assembly.
-AFP PHOTO, courtesy of http://www.business.iAfrica.com

'Democracy in action': Finance Minister, Trevor Manuel, goes through readers 'Tips for Trevor' with, from left, SA Revenue Service commissioner Pravin Gordhan, deputy minister Mandisi Mpahlwa and director-general of finance Maria Ramos.
Photo: Leon Muller, chief photographer, courtesy of the Cape Argus
Republic of South Africa
National Treasury

Budget Speech
2002
In my utopia, human solidarity would not be seen as a fact to be recognised by clearing away prejudice or burrowing down to previously hidden depths but, rather, as a goal to be achieved. It is to be achieved not by inquiry but by imagination, the imaginative ability to see strange people as fellow sufferers. Solidarity is not discovered by reflection but created. It is created by increasing our sensitivity to the particular details of the pain and humiliation of other, unfamiliar sorts of people.


**Introduction – creating solidarity**

The Budget we present today seeks to embody a philosophy that lies deep in the struggle that has brought us together in this democratic Assembly.

It is a philosophy of people affirming the things that they share with others above those that set them apart…

…relying not on abstract concepts and ideas to build our community, but seeking to anchor it to daily solidarities, expressed in deeds and actions, of which this Budget is only one, but a particularly visible, example.

…Solidarity that does not appear out of thin air, but is nurtured and sustained through “the imaginative ability to see strange people as fellow sufferers,” and it in turn nurtures and sustains us.
...Solidarity that saw us through the centuries of oppression, instilled in us that imaginative capacity to identify with the suffering in our midst.

That was already part of us when we stepped back from the precipice – oppressor and oppressed – and began the long journey toward a better life for all.

This is the solidarity of which I speak. This is our legacy.

We know that the society to which we aspire – compassionate, democratic, egalitarian – will not come about by belief alone. It is a society we seek to create.

We create it in our communities when a person who has never had running water opens a tap in her own back yard, when a family turns on an electric light for the first time.

We create it in our region when we join in a compact with others, seeking to negotiate a new partnership for the sustainable development of the continent.

We seek its global embodiment in an international order committed to the eradication of poverty, not because poverty is the presumed seed-bed of terrorism, but because we are all enriched by affirming the dignity and recognising the potential of others.

As we table the 2002 Budget before this House today it is therefore appropriate that we take some time to reflect on the developments in the global economy. The past two decades were characterised by unbridled optimism fuelled by the longest period of growth in the United States, the prospects of economic power embodied in the coming of age of the European Union, and the mirage of unimpeded expansion in Asia and Latin America.

A naïve confidence prevailed that prosperity was the guaranteed outcome of the 'third wave of globalisation'. This wave of globalisation, which began around 1980 had at its heart three broad characteristics. First, a large group of developing countries accounting for some three billion people became players in global markets. Second, international migration and capital movements increased dramatically reshaping trading patterns and ownership structures. Third, for some developing countries, many of them in Africa, globalisation has meant increased marginalisation.
Unprecedented prosperity and wealth in the developed nations of the world has created opportunities for growth and trade for other countries. However, these benefits have not been distributed equally. The bulk of capital flows remain between the rich countries of the world. Foreign direct investment per capita in the United States is around $3200 while in Africa it is a paltry $124. And a naïve definition of success has blunted the world’s commitment to address poverty. It ignored local realities, cultures, and needs. It sought simplistic solutions to complex problems. In the aftermath of September 11, 2001, we again face the risk of easy diagnoses. Of course terrorism is an evil that must be countered. But this must not be allowed to become another burden laid indiscriminately on the shoulders of the poor. And we must not allow the war on poverty to become hostage to another agenda.

The poor, as history has shown, are remarkably peace-loving. More important, it is often the poorest of the poor who are the victims of violence and terrorism. We must be clear that the reason we need to combat poverty is because it deprives individuals, and by extension societies, of their full potential. It robs children of their childhood. It condemns adults to illiteracy. It deprives people of access to simple necessities such as safe drinking water. It condemns many millions to disease. It wears down the human spirit and robs people of their dignity. We must fight poverty because until it has been overcome we cannot lay claim to being a compassionate society.

We who are born at the cradle of humanity have a responsibility for remaining activists for a more compassionate society. A society that recognises and respects the richness of our different cultures and languages, the humanity of all the world’s people. A society that is intolerant of poverty. A society that recognises the life of a Mozambican child is as precious as that of an American child. A society that accepts that poverty anywhere lessens the humanity of every citizen of the globe. A global society that actively seeks human solidarity.

Solidarity is not discovered by reflection but created. It is created by increasing our sensitivity to the particular details of the pain and humiliation of other, unfamiliar sorts of people.

From the global economic perspective the challenge we face now is to ensure that the gains that have been made through this wave of globalisation can be extended to eliminate poverty and improve equity in the poorest parts of the world. Economist Joe Stiglitz reminds
us that 'each of the most successful globalising countries determined its own pace of change; each made sure that as it grew the benefits were shared equitably.'

And so in this Budget we are able, once again, to harvest the sweet fruits of the progress we have made. The 2002 Budget:

- Gives priority to reducing poverty and vulnerability
- Increases spending on social grants, municipal infrastructure and housing, improved police and justice services and critical administrative services to citizens
- Supports an enhanced programme to address the impact of HIV/AIDS
- Gives continued emphasis to infrastructural development to encourage development and job creation in support of urban and rural development
- Strengthens the fight against crime
- Steps up assistance to communities to improve access to affordable basic services
- Gives generous tax relief to all.

Madam Speaker, we recognise the importance of taking charge of our destiny and of finding solutions that are appropriate for our needs and circumstances.

Our response has been to seek a partnership with the global economy and, in particular, the wealthy nations of the world and the multilateral institutions. A partnership built on trust, respect and, above all, a commitment to succeed. A partnership designed to improve the quality of the lives of all the people of our continent, and in particular the poor. But it is also a partnership that will contribute positively to global growth and prosperity. We take pride in the role that our President has played in shaping the New Partnership for Africa's Development. As South Africans we have a shared responsibility to ensure that this partnership takes root and grows.
Madam Speaker, it is our intention to place firmly on the agenda of the global discourse the values and principles that have guided our young democracy. The World Summit on Sustainable Development to be held in Johannesburg in August this year provides an opportunity to arrive at a global partnership that will embody these values.

The Johannesburg conference is preceded by a conference on Financing for Development in Monterrey, Mexico, where, as one of two special envoys of the Secretary General of the United Nations, I will have the task of challenging my colleagues, the Ministers of Finance of developed countries, to commit to a meaningful compact on the resources required for sustainable development. Another important opportunity arises from the fact that as of November 2001 South Africa occupies the Chair of the Development Committee, which is the policy making committee that governs the World Bank. It is our intention to use this opportunity to focus the attention of the multilateral institutions on a programme of action designed to eliminate poverty.

South Africa's appointment as the Chair of the Council of the World Customs Organisation in June 2001 reflects the integration of our economy into the world economy and establishes the South African Revenue Service (SARS) as a reliable partner in trade administration. And it also provides another forum within which to advance the interests of developing economies and the goals of NEPAD.

**Economic outlook**

Economist and philosopher Amartya Sen has for many years articulated a profound and nuanced understanding of the need to address broader social policy concerns alongside growth as an economic goal. Public action in areas such as education, health, social development, security, land reform and housing are critical to a development strategy that places at its core the need to eradicate poverty and create a better life for all citizens.
Our economic policy over the past seven years has been shaped by this commitment. The choices we have made are designed to ensure that our economy grows sustainably and that more and more of our people share in the benefits of that growth.

The Budget we table before this House today makes five key interventions in support of development and the war against poverty. First, this Budget is strongly oriented towards growth, providing for an average increase in real spending of over 4 per cent a year for the next three years. Second, it provides for an intensification of spending on alleviating poverty, including increases in old-age pensions and child support grants and an enhanced response to HIV/Aids. Third, there is increased investment in infrastructure, particularly in support of urban renewal and rural development. Fourth, it strengthens the fight against crime by, amongst other things, making available the resources to employ an additional 16 000 police men and women. Fifth, it provides tax cuts for individuals, further tax incentives for investment and a more generous tax regime for small business.

This Budget has been crafted against the background of considerable uncertainty about the growth prospects for the global economy. The rapid growth that characterised the latter part of the 1990's stalled in 2001. The US economy descended into a recession last year from which it is expected to make a mild recovery this year. Although initially expected to be relatively immune to the investment collapse in the US, Europe's economic performance was affected. Germany in particular has experienced a sharp slowdown. The Japanese economy remains trapped in a recession from which it is unlikely to recover in the year ahead. The outlook for the emerging market economies also remains subdued. The collapse of Argentina and the fragile position of Turkey are likely to remain points of vulnerability for other emerging markets. It is worth noting that this is the first time since the mid-1970's that there has been such a comprehensive slowdown in the global economy. The advanced economies are expected to grow by 0,6 per cent this year.

Amidst this, South Africa's economy has shown impressive resilience. It is easily forgotten that the average rate of growth in real Gross Domestic Product (GDP) between 1994 and 2000 was 2,7 per cent. If we exclude 1998, a year of exceptional international turmoil due to the Asian financial crisis, average growth was 3,1 per cent. The economy grew by 3,4 per
per cent in 2000 and about 2,2 per cent in 2001, underpinned by a moderate recovery of investment and a strong export performance in the first half of last year.

But of course our economy is not immune to international developments which have temporarily unsettled growth and inflation trends. Growth for 2002 is expected to be 2,3 per cent, rising to 3,3 per cent in 2003. Against the background of an unexpected depreciation of the rand in the second half of last year, we now expect inflation to pick up moderately this year.

But growth of our economy has been underpinned by extensive structural reforms designed to ensure a more dynamic and resilient economy.

- Export diversification continues, both in non-traditional manufactured goods, tourism-related trade and growth in services exports. Manufactured exports grew from 9 to 20 per cent of GDP between 1990 and 2000.

- The balance of payments is immeasurably stronger and better able to sustain stronger growth – the current account will register a moderate deficit of 0,5 per cent of GDP in 2002.

- Real wages and productivity have increased by over 20 per cent since 1994, bringing rising living standards to millions of people and strengthening the competitiveness of industry.

- The net open forward position has been reduced from some $24 billion in 1998 to just under $3 billion in January 2002.

- The budget deficit is expected to be 2,1 per cent of GDP in 2002/03 falling to 1,7 per cent in 2004/05.

Madam Speaker, numerous explanations have been advanced for the depreciation of the rand in the fourth quarter of 2001. The underlying health of South Africa economy is not in question. Indeed the international rating agency Moodys provided a strong endorsement of our economic policies by raising our credit rating to Baa2.
It is widely acknowledged that the depreciation of the rand in the last quarter of last year was overdone. In an attempt to better understand what occasioned the sharp decline of the exchange rate in the last quarter of 2001, a commission has been set up headed by Advocate Myburgh. The Commission's preliminary report is expected by the end of April.

Rising prices impact negatively on the poor and most vulnerable, and so the lowering of CPIX inflation from 7.7 per cent in 2000 to 6.6 per cent last year represents a significant advance. The Governor, Mr Tito Mboweni, must be commended for the way in which the South African Reserve Bank has managed monetary policy during difficult and uncertain times.

This year, we will see a temporary rise in inflation as the economy adjusts to last year's depreciation, and we now expect CPIX to average 6.9 per cent, just outside the 3 – 6 per cent target range. However, the underlying inflation outlook is firmly downwards, and both the Government and the Reserve Bank remain confident that CPIX will return to the target range in 2003 and beyond.

Although the overall inflation trend remains muted, we are aware that food prices have increased sharply. The rise in the maize price in particular, affects the poor and the most vulnerable. The markets for grains, meat, vegetables and related products are unavoidably affected by seasonal factors and international developments in commodity prices and so we should expect a greater variation in food prices than the overall CPI.

For three of the past four years, food prices have increased by less than other consumer goods. But it is clearly important that we avoid an undue rise in the prices of essential staple foods. Therefore the Departments of Trade and Industry and Agriculture have been asked to do a thorough investigation and a report is expected shortly. We would like once more to appeal to the players in this sector to keep prices appropriately related to costs. It would clearly be in no-one's interest for the benefits of a more competitive agricultural marketing system to be lost in the pursuit of short term opportunistic gains.

Viewed against the rapid changes in the global economy and the deep structural reforms we have undertaken in the past six years, our economy's growth performance has been
remarkable. But employment creation remains weak and efforts to accelerate investment and training and promote small business development have not yet turned the employment trend around.

We believe that the economy's potential is infinitely greater. Unleashing this potential requires that we act together as a nation. That we embrace the spirit of Vuk'uzenzele, and allow the needs, aspirations and interests of our country and economy to shape our respective roles, responsibilities and responses. That we act now, together, energetically to realise the potential of our country. Government alone cannot take responsibility for growth and development. It is a collective responsibility. We need, all of us, to accept that and commit to a compact that recognises that the power to make a difference rests with all of us.

Such a compact would need to address a key element in our economic and social landscape. This element, which is hard to define precisely or adequately quantify in economic models, is confidence. It is the need to understand that we all have a part to play in shaping our common destiny. In our generation vests the responsibility to build human solidarity actively, to push back poverty, to build a compassionate, caring society. It is our task to identify the challenges and grasp the opportunities.

Opportunities can arise in surprising ways. We initiated a project called 'Tips for Trevor'. The idea is that South Africans from all walks of life are invited to write to the Minister with tips of what should be in the Budget. About two weeks ago one of our very tired officials inadvertently gave a telephone number for the Ministry which turned out to be the number of Butler's Pizza in Gardens. Butler's phones started ringing, not with pizza orders but with tips for the Minister. It took very little time to convert an annoying situation into a business opportunity. They approached our Communications manager and proposed that, in return for the tips they had received, they wanted a picture with the Minister. They also very generously donated 60 pizzas to an exhausted and hungry Treasury team. We thank them and apologise for the mix-up.
The Budget framework

2001 Budget outcome

This Budget extends the growth-oriented fiscal stance of the 2001 Budget, providing for strong real increases in spending and significant cuts in taxes. Although the economy did slow down last year we have again seen strong revenue performance and sound debt management.

The projected outcome for 2001/02 is dominated by the strong tax performance. Revenue is projected to be R15 billion higher than budgeted. Supplementary allocations raise total expenditure by R4.3 billion.

Of the additional spending this year, R2 billion goes to provinces to pay backlogs in social security payments, R130 million is set aside for operations in Burundi and the remainder funds unavoidable and unforeseeable expenditure approved by Parliament in the Adjustments Budget in November 2001.

The budget deficit in 2001/02 is expected to be 1.4 per cent of GDP.

2002 Budget priorities

The improvement in our fiscal position means that we can substantially increase public spending, thereby increasing the potential of all our people to contribute to social development. Main budget expenditure will be financed through moderate growth in revenue and a deficit of 2.1 per cent of GDP in 2002/03, decreasing to 1.7 per cent in 2004/05.

The 2002 Budget directs more resources towards reducing poverty and vulnerability among our people; educating our children; training and developing skills among our youth; building and enhancing physical infrastructure and basic municipal services and making our communities safer places to live, work and play.
Real non-interest spending across national and provincial government will grow by 4,1 per cent a year over the next three years. In nominal terms, it rises from R256 billion in 2002/03 to R298 billion in 2004/05.

Prudent fiscal management has resulted in lower interest costs thereby releasing some R10 billion of additional resources for spending on services over the next three years. Debt service costs are expected to fall from 4,8 per cent of GDP in 2001/02 to 4,4 per cent next year and 4,1 per cent by 2004/05. What this means is that whereas in 1998/99 we were spending 20,2 per cent of our Budget on interest costs, for 2002/03 this comes down to 15,7 per cent and is expected to fall below 15 per cent by 2004/05. This is clearly a policy choice that has started to pay dividends.

The outstanding revenue performance for this year is largely the outcome of a sharp improvement in company tax receipts. The robust revenue trend makes possible substantial relief to taxpayers again in the 2002 Budget, which will in turn contribute to a recovery in household spending and economic growth over the medium term.

The main budget provides for expenditure of R287,9 billion in 2002/03, rising to R334,6 billion in 2004/05. Revenue increases from R265,2 billion to R313,2 billion over the same period.

After setting aside provision for debt costs and the contingency reserve, the framework provides for total allocations to national departments, provinces and assistance for local government of R237,1 billion in 2002/03, rising to R273,1 billion in 2004/05.

Recognising that the depreciation of the rand will impact on inflation and public service salary adjustments in 2002, the revised framework includes a R3,3 billion contingency reserve in 2002/03, rising to R9 billion in 2004/05. The reserve also provides for possible unforeseeable and unavoidable expenditure in the budget year and macroeconomic uncertainties or new priorities in the years ahead. Supplementary funds are once again set aside for new infrastructure spending.
The 2002 Budget framework creates an enabling environment that allows us to respond creatively to the challenges of social development and work in partnership with communities to build a healthy, vibrant future for all.

Our response is balanced, yet reflects the tough choices that we have made. It ensures that spending is affordable and sustainable, and contributes effectively towards achieving our broad social and economic policy objectives. These include enhancing economic growth and job creation, deepening equity and social development and strengthening the safety and justice sector.

Investing in growth

Recognising the need to reinforce the growth momentum of the economy, the 2002 Budget aims to invigorate several key policy initiatives.

As in last year’s budget, investment in infrastructure is prioritised. In addition to national and provincial capital spending, the investment programmes of public enterprises and public-private partnership agreements – including transport projects, government buildings and several eco-tourism initiatives – will contribute significantly to building productive capacity in the years ahead.

Economic performance is also enhanced by a cluster of measures focused on enhancing the quality of public expenditure. These include the overhaul of the shape and organisation of the public finances and a robust new framework for financial accountability across all three spheres of government. Managerial capacity building programmes have been strengthened, information systems upgraded and financial management training enhanced.

The most important contribution Government makes to long-run growth and development is investing in people. The Human Resource Development Strategy launched in April 2001 sets the framework for developing our country’s skills base. Reshaping our universities and technikons, improving learning and teaching in schools and creating new skills development programmes for workers and work-seekers are amongst the key elements of the strategy for human development. To these we will add in the years ahead the new learnership incentive and the programmes of the Umsobomvu Fund.
Division of revenue

The 2002 framework allows for additional spending of R13,4 billion in 2002/03 rising to R17,9 billion in 2003/04 over the forward estimates set out in the 2001 Budget.

- Over the MTEF period, additional allocations totaling R20,5 billion are proposed for provinces, mainly in response to the rapid take-up of the child support grant and to reinforce both human and physical capacity in the health system to address the impact of communicable diseases such as HIV/AIDS, TB and malaria.

- A further R6,8 billion is proposed in support of local government to strengthen basic municipal service provision to poor households, manage the impact of the municipal demarcation processes and the institutional restructuring of service delivery systems.

- Supplementary allocations to national departments include some R6,6 billion for the criminal justice sector to employ additional personnel, strengthen the administration of justice, improve court services and build additional prison accommodation. Additional allocations are also directed towards key administrative services, including modernising the information systems of the Department of Home Affairs and enhancing tax administration. The Departments of Foreign Affairs and Defence are compensated for the effects of the depreciation of the rand on their costs.

Given that most of our social spending is at the provincial sphere, the biggest transfers in the Budget are to this sphere, rising from a revised level of R121,2 billion in 2001/02 to R132,4 billion next year and R152,4 billion in 2004/05. This represents an annual average growth rate of 7,9 percent over the next three years.

With stable finances, improved financial management, the strong growth in transfers to provinces will reinforce accelerated delivery of pro-poor programmes. They should enable provinces to build and improve social and economic infrastructure: hospitals, schools and roads. They should allow them to strengthen their capacity to deliver better quality services by employing more doctors and nurses, and to increase the amounts for old age pensions and the child support grant.
The biggest increases in this budget go to local government. These allocations rise by 18,3 per cent a year over the MTEF period. Total allocations rise from R6,6 billion in 2001/02 to R8,6 billion in 2002/03 and R10,9 billion in 2004/05. This reflects government's strong commitment towards the delivery of basic municipal services and infrastructure to the poorest of our people. Now that our municipalities have completed their transition, residents are dependent on them to roll out essential infrastructure. Poor areas that fall within the nodes identified in the rural development and urban renewal programmes are given an extra boost of funds to accelerate the pace of alleviating poverty in the poorest areas of the country.

The municipal infrastructure programme increases from R2,2 billion this year to over R4 billion by 2004/05. The housing subsidy allocations grow from R3,2 billion to R4,3 billion by 2004/05.

This year, around 30 municipalities will, for the first time, be implementing three-year budgets for their 2002/03 budgets. The Municipal Finance Management Bill, currently before Parliament, will also give legislative effect to financial management reforms in this sphere.

**National expenditure proposals**

Details of national departments' spending plans for the next three years are again this year set out in the *Estimates of National Expenditure*. Members will find a wealth of information here, some 820 pages of departmental aims and objectives, policy developments, programme expenditure estimates, service delivery outputs, indicators and targets. You will be pleased to learn that I do not propose to list the full set of measurable objectives by programme. But I would urge Members to exploit to the full this valuable compendium. Hidden in this volume and departments' published annual reports there is a remarkable record of our development and progress:

- In fighting cholera in KwaZulu-Natal, the Department of Water Affairs and Forestry provided 100,000 people with safe water and 52,000 people with ventilated pit latrines.
• Some 20 300 land restitution cases have been settled, returning 300 000 hectares to 44 246 households.

• Social Development and Welfare departments pay 1 942 000 old-age pensions and 706 000 disability grants a month. There are 1,7 million children registered for child support grants now.

• Migration officials registered over 6 mission visitors passing through our borders last year.

• In 2001, the Department of Agriculture eradicated 40 000 hopper bands and 9 000 swarms of locusts.

• Regional joint task forces have seized 101,6 tons of dagga and recovered 2 595 stolen livestock.

• The National Health Department distributed 310 million condoms last year. There were over 429 000 admissions to our hospitals for complex tertiary care. In our anti-malaria vector control programme, over 1,1 million households were sprayed last year.

• The Government Communication and Information System records that 909 679 pages are now registered on government websites.

• And last year Parliament received 279 696 incoming telephone calls, of which 37 744 were not answered.

There is more to the Budget, of course, than the statistics that track expenditure and services. But by monitoring and reporting on progress, and quantifying plans and targets, we hope to reinforce and empower this House and the public in holding our Departments accountable.
2002 Budget Speech

Investing in people

Turning now to the expenditure proposals, we note that investing in people is again the foremost priority in the Budget.

Education and skills development

Spending on education is 24 per cent of non-interest expenditure – the lion’s share of the allocations.

Consolidated spending on education (national and provincial government) rises to R59,8 billion in 2002/03. It is estimated to increase to R68,3 billion by 2004/05.

For 2002/03 projected revenue from the Skills Development Levy (which entails a 1 per cent tax on company payroll) is expected to be R2,95 billion. Critical to the success of this initiative is the partnership that is required between government and business so as to ensure that the skills development programmes being implemented are consistent with the requirements of a particular sector.

The Umsobomvu Fund has youth development as its focus. Since its inception, the Fund has initiated a number of projects including the creation of pilot youth advisory centres, the launch of Community Youth Service programmes and the establishment of ‘school-to-work’ pilot projects. This year the Fund will launch new initiatives to provide young entrepreneurs primarily in the small business sector with business advisory support.

Social security grants and welfare services

Spending on welfare services and social security grants forms a significant share of provincial budgets, rising to R34,3 billion in 2004/05. The social grant system is our most effective tool in alleviating poverty. Honourable members will be pleased to note that with effect from this Budget, the date of annual increases to social grants is brought forward from 1 July to 1 April, the start of the financial year.

From April this year, we will place more money in the hands of four million people, raising the value of old age pensions and other social grants to R620 a month, an increase of R50. This is good news for our people and will assist in improving the daily life of poor families.
We will also help more families and care-givers look after young children by raising the value of the child support grant by R20 to R130 a month. The grant will be and extended to a further 1.2 million children by the end of next year.

Health care

This Budget contains significant measures to strengthen the national HIV/Aids programme. In addition to an estimated R4 billion currently spent by provincial health departments on Aids-related illnesses, funding for prevention programmes in schools and communities, hospital treatment and community-care programmes will amount to R1,0 billion next year, rising to R1,8 billion in 2004/05. This includes a progressive roll-out of the programme to prevent mother-to-child transmission, medication for prevention of TB and pneumonia in infected people and treatment of opportunistic infections.

Conditional grants to provinces play a significant role in funding health services. The tertiary services and training grants are rationalised in support of a more equitable distribution of services over time. The National Tertiary Service Grant amounts to R3,7 billion in 2002/03, increasing to R4,2 billion in 2004/05. It will fund tertiary units in 27 hospitals, facilitating a redistribution of health services from the Western Cape and Gauteng to other provinces where poverty is more prevalent. The Health Professional Training and Development grant rises from R1,3 billion in 2002/03 to R1,4 billion by 2004/05 and provides for a phased increase in the number of medical specialists and registrars in under-served provinces. R1,6 billion over the next three years is directed toward modernising hospitals, ensuring better tertiary health care, while improvements to hospital management receive targeted funding rising from R124 million in 2002/03 to R138 million in 2004/05.

Facing the infrastructure challenge and investing in economic development

Increased funding of physical construction is again prioritised, and steps have been taken to improve capacity to spend. Well designed investment in economic infrastructure and services has significant potential to enhance growth and improve services and opportunities for poor people.
2002 Budget Speech

This year the Budget:

- Steps up allocations for electrification to R950 million a year, supporting Eskom's drive to electrify rural communities

- Increases spending on roads and rail services by R1 billion, ensuring that rehabilitation and investment raises economic activity and provides development

- Sets aside R80 million for the hosting of the World Summit on Sustainable Development in Johannesburg later this year

- Boosts spending on the Water Affairs and Forestry vote to R3.6 billion in 2002/03 in support of investment in rural water and sanitation infrastructure

- Directs R300 million a year to the Post Office to assist further restructuring that will facilitate rollout of infrastructure and services to underserved areas

- Allocates R741 million for restructuring of the Unemployment Insurance Fund, ensuring that benefits are more effectively targeted and the financial viability of the Fund is improved

- Raises provision for sustainable land reform to R1.1 billion in 2004/05, contributing to development and job creation in rural areas

- Sets aside R700 million in 2002/03, rising to R2 billion in 2004/05, for infrastructure investment in support of rural and urban development.

Provincial spending on social and economic infrastructure has improved and municipal infrastructure financing receives substantial increases in allocations over the next three years.

Development partnerships with local government

Development is not only about large-scale infrastructure projects, wide-reaching income support or high profile health campaigns. For many, 'real' development happens when people's access to services and opportunities within their own communities improves. When
they are able to open the door to their own house, drink water that is clean and safe from disease, switch on an electric light, and watch their children kick a soccer ball around the community soccer ground. Building a better life for all is therefore a challenge that we share with communities.

Spending plans set out in this year’s Budget encourage partnerships with communities, building solidarity as we join hands to improve access to affordable basic services. Increased funds are allocated to step up housing and municipal infrastructure programmes, focusing on water, sanitation and electrification.

We are making good progress in the first pilot projects identified under the Integrated Sustainable Rural Development and Urban Renewal programmes. In these areas, national and provincial departments will work with councils and local organisations to improve services, create business opportunities and build strong and thriving communities.

**Strengthening the fight against crime**

Social progress also rests on effectively combating crime and making communities safer places to live, work and play. We are resolute about strengthening the fight against crime.

Over the next three years, an additional R5,2 billion will go the Safety and Security vote. This allows 16 000 more police men and women to be employed to reduce crime in areas that are identified as ‘crime hot-spots’, working in close cooperation with communities to improve their everyday safety and security.

More police officials on the beat will lead to more arrests. These arrests place a further burden on an already stressed judicial system. Over the next three years a further R826 million will help efforts to restructure and streamline operations in the administration of justice, enhancing court efficiency and raising the overall efficacy of the criminal justice system.

Once criminals are prosecuted and found guilty, they are sentenced to an appropriate prison term. A rapid increase in the prisoner population has contributed to significant overcrowding in prisons across the country. We estimate that our daily average prisoner population will rise to 225 600 by 2004/05. Budgeted spending on the Correctional Services vote increases
from R6.9 billion in 2002/03 to R8.1 billion in 2004/05 to fund increased operational costs associated with higher prisoner numbers and expanding prison capacity.

The Defence Force is involved in diverse activities, including operations to combat crime, patrolling the country's borders and rural areas and fulfilling international obligations in providing peace support in the Democratic Republic of the Congo (DRC), Burundi, and the Horn of Africa.

Increases on the Defence vote will provide for the higher costs of the strategic defence procurement programme due to revised exchange rate projections. Provision is also made for the protection mission to Burundi, the costs of which will partly be recovered from international donors. The rise in spending brings total defence expenditure to 1.7 per cent of GDP in 2002/03, compared with 3.7 per cent a decade ago and 1.5 per cent in 1997/98.

Revenue trends and tax proposals

The past fiscal year turned in yet another buoyant revenue performance, following comprehensive tax policy reforms and further advances in restructuring the Revenue Service and collection processes.

In this year's Budget, Government continues to provide substantial tax relief for individuals and seeks to improve further the effectiveness and efficiency of the South African tax structure with a view to encouraging investment and reducing the cost of doing business in South Africa.

Progress on outstanding 2001 tax reform initiatives

As indicated in the 2001 Medium Term Budget Policy Statement, this year heralds a period of consolidation after the far-reaching income tax changes that have been introduced since 2000. We are able to report on progress in several key tax reforms of last year's budget.

We announced the introduction of a wage incentive last year. Recognising the importance of investing in skills alongside the creation of jobs, it will take the form of an additional tax
allowance for learnerships offered by employers. Draft legislation has been released for public comment and will be introduced this year. An allowance to employers in the form of a R25 000 deduction will be permitted when a learnership agreement is signed, and a further R25 000 when the learnership is successfully completed. This incentive programme applies to all learnerships entered into from 1 October 2001 and will apply for a five-year period.

An amount of R3 billion of foregone tax revenue over four years was allocated in the 2001 Budget to encourage investment projects with significant direct and indirect benefits for the South African manufacturing sector. The National Treasury and the Department of Trade and Industry have developed stringent evaluation criteria and transparent administrative processes that seek to guarantee that only those applications that significantly raise the competitiveness of the economy and create job opportunities are approved. The programme is characterised by sound governance and Parliamentary oversight procedures. The Department of Trade and Industry will begin to process applications shortly.

Last year, Government announced fundamental measures for a more coherent tax environment for public benefit organisations. We raised significantly the thresholds for tax-deductible donations by individuals. In addition, the range of deserving public benefit organisations that qualified for tax-deductible donations was broadened, including those caring for children and the aged, HIV/AIDS care and education. Moreover, Government released a list of public benefit activities that qualify an organisation for tax-exempt status, thereby widening the range of qualifying organizations. Underlying this list of tax-privileged activities is the principle that these must promote social development or meet special needs of the wider public, and not just a narrowly exclusive group.

The list of organisations qualifying for tax-deductible donations and tax-exempt status will be broadened during the course of the 2002/03 fiscal year. The National Treasury and SARS have already met with important stakeholders to discuss revisions to the public benefit activity lists. The new approach, together with the enhanced capacity of SARS to administer these incentives, adds another well-targeted set of measures in addressing poverty and vulnerability effectively.

I am pleased to report that the revised list will include provision of health services to the poor and care of the terminally ill and persons with severe physical or mental impairment.
Furthermore, we propose to recognise private contributions to our trans-frontier peace parks for tax purposes. This will encourage initiatives that bring jobs and tourists to our region, and signal the spirit of partnership between nations, and between government and the private sector, that underpins Africa's new approach to development.

**Growth-enhancing income tax proposals**

**Personal income tax relief**

The personal income tax is South Africa's most important revenue source, contributing nearly 37 per cent of main budget revenue in 2001/02. In the 2001 Medium Term Budget Policy we indicated that increased revenue associated with enhanced tax collection efforts will be returned to taxpayers through further relief to individuals, particularly in the lower and middle-income brackets.

Taking account of the sterling revenue performance of SARS and the tax base broadening achieved by introducing the residence-based income tax system and capital gains tax, we propose this year to reduce income taxes on individuals by a further R15 billion. Individual taxpayers are therefore the primary beneficiaries of the income tax base broadening initiatives and improved collection record. This brings personal income tax relief since 1995 to R48.6 billion.

The revised tax scales mean:

- The income tax threshold is raised from R23 000 to R27 000 – that is, people earning below R27 000 a year will pay no income tax.
- The tax threshold for taxpayers age 65 and over increases to R42 640.
- Someone earning R60 000 a year will pay R1 380 less; those earning R90 000 will pay R3 480 less.
- Rates and bracket adjustment provide relief across the entire income tax population, with the maximum rate reduced from 42 per cent to 40 per cent.
• Of the total tax relief, 57 per cent accrues to taxpayers earning less than R150 000 a year, 37 per cent accrues to taxpayers earning between R150 000 and R300 000 a year and 6 per cent to taxpayers earning more than R300 000 a year.

• The average tax cut for taxpayers in the income group up to R150 000 is 25 per cent, for taxpayers in the income group of R150 000 to R300 000 it is 14 per cent and for taxpayers earning more than R300 000 average rates are cut by 7 per cent.

This individual tax relief package contributes to reducing the cost of employment and rewards work and savings. It also narrows the gap between the maximum individual rate and the company rate, improving the integrity and consistency of the tax structure.

*Increase of interest and dividend income exemption*

Complementing the income tax rate reductions, it is proposed to increase the domestic interest and dividend income exemption from the current R4 000 to R6 000 for taxpayers under the age of 65 and from R5 000 to R10 000 for taxpayers aged 65 and over. This measure provides substantial relief to those living on modest fixed-interest incomes. This relief measure will cost the fiscus R163 million.

With a view to encouraging taxpayers to make their savings available for domestic capital formation, foreign interest and dividends will in future only be exempt up to R1 000 out of the total exemption limit.

*Accelerating depreciation allowances for manufacturing plant*

South Africa needs to nurture its economic growth and job creation. In order to encourage investment in productive capacity, an accelerated depreciation allowance for a broad range of new manufacturing assets acquired within 3 years from 1 March 2002 is proposed. These assets will be depreciated over 4 years in contrast to the existing 5-year period. Forty per cent of the cost of the asset will be deducted in the first year and twenty per cent of the cost for the subsequent three years.

This measure will encourage investment and ease the impact on investing firms of the recent depreciation of the rand.
In addition, the monetary threshold for assets acquired on or after 1 March 2002 that may be immediately written off is increased from R1 000 to R2 000.

These two measures will cost the fiscus R295 million in 2002/03.

**Extending tax and administrative relief for small businesses**

Government is very conscious of the needs of the small business sector and in the unfolding tax reform programme recognises this sector's strategic role in economic growth and employment. Building on the 2000 and 2001 concessions, it is proposed to increase the existing threshold of the first R100 000 of taxable income, which attracts the 15 per cent graduated company tax rate, to R150 000.

The small business benefits are limited to companies with an annual turnover of less than R1 million. It is proposed to raise this threshold to R3 million, with these changes taking effect for companies with years of assessment ending on or after 1 April 2002.

It is common knowledge that the burden of tax and regulatory compliance impacts adversely on small businesses. Administrative procedures and the existing penalty provisions will be reviewed with the aim of simplifying tax compliance for small businesses. In addition, a simplified approach to calculating VAT obligations will be investigated. These measures combined constitute a possible revenue loss of R40 million in 2002/03.

**Review of monetary thresholds**

The Income Tax Act contains a number of monetary thresholds that need to be adjusted from time to time to take account of the effects of inflation. Taking account of affordability and the economic impact of the threshold, the following revisions are proposed:

- Tax-exempt donations are raised to R30 000 for individuals and R10 000 for companies not considered to be public companies.

- The exemption from estate duty is increased to R1,5 million.

- Exemptions for bursaries and scholarships are raised.
• The R1 000 threshold for medical expense deductions will be eliminated.

• The exemption from tax for bravery and long service awards is raised to R5 000.

• The immediate deduction for intellectual property will be increased to R5 000.

These proposals will result in revenue losses of R36 million.

**Tax simplification & reducing cost of doing business in South Africa**

*Limitation of employee deductions*

Recognising that most salaried employees have few expenses that are incurred in the production of their employment income, it is proposed to simplify the taxation of employment income by limiting employee deductions to the following:

- Business travel deductions against car allowance
- Certain medical expenses
- Contributions to pension and retirement annuity funds
- Donations to certain public benefit organizations
- Specific expenditure against allowances of holders of public office
- Wear and tear allowances on equipment.

These limitations, which will not apply where an employee’s remuneration is wholly or mainly derived in the form of commissions based on sales or turnover, will come into effect on 1 March 2002.

It is also proposed that the R150 a day allowance, which compensates for deemed accommodation costs where actual expenses are not claimed, should be abolished. Taxpayers may still be reimbursed by employers for actual expenses incurred on accommodation for business purposes. The R65 a day allowance for subsistence expenses will be continued.
These steps will increase revenue by R100 million.

Other administrative reforms

Other administrative reforms are proposed, resulting in an estimated net revenue loss of R50 million. For example, it is proposed that the existing June year-end arrangement with certain farmers, fishers and diamond diggers, which dates back to 1962, should be terminated. The remaining 1 000 taxpayers on this system will be brought into the standard provisional tax arrangement. Also, the provisional tax registration threshold for individuals below the age of 65 who earn taxable non-employment income will be raised from R2 000 a year to R10 000 from 1 March 2002.

Transfer duties

As a further contribution to making home ownership affordable, amendments to the transfer duty rates are proposed. The new structure is as follows:

- On properties with a value of less than R100 000, no duty to be paid
- A 5 per cent duty on the value above R100 000 up to a value of R300 000, and
- 8 per cent on the value above R300 000.

The average duty on property with a value of R150 000 will fall from 3,1 per cent to 1,7 per cent, whereas the duty on property with a value of R300 000 falls from 4,6 per cent to 3,3 per cent, thereby maintaining an appropriate progressive property transfer tax. The new rate structure will apply for property acquisitions from 1 March 2002 and will cost R300 million in revenue foregone.

Reducing financial transaction taxes

There are a variety of financial transaction taxes still in place in our tax structure. In order to contribute to the competitiveness and development of our financial sector, it is proposed that certain of these should be abolished.
With effect from 1 January 2002, the 2.5 per cent charge on Lloyd's insurance premiums will be withdrawn.

With effect from 1 April, taxes on the following transactions or financial instruments will be abolished:

- Repurchase of warrants by their issuers
- Issue of listed debt instruments
- Transfer of a mortgage bond from one institution to another
- Various insurance policies or contracts, and the cession of insurance policies.

The overall cost to the fiscus of the transaction tax withdrawals is R130 million.

**Indirect tax proposals**

Although revenue from value-added tax is expected to be moderately lower than budgeted in 2001/02, it remains a dependable and broad-based tax source. No change in VAT is proposed.

**Duties on beverages and tobacco products**

Excise taxes have also lagged behind budget estimates, reflecting both slower than anticipated spending trends and shifts in household consumption away from excisable products in response to higher taxes. Bearing both revenue and health considerations in mind, the following adjustments are proposed.

- Beer and ciders are raised by 8 per cent, bringing the proposed excise duty to 43.6 cents per 340 ml can or an average increase of 3.2 cents per can.
- Sorghum beer and sorghum flour duties will not be increased.
- Duties on wine are raised by 8 per cent.
Duties on spirits and sparkling wine are increased by 10 per cent. This translates into a total excise duty of R11.84 per 750ml bottle of spirits, or a R1,08 increase per bottle.

Taxes on tobacco products are raised by an average of 12 per cent. This increases the total excise tax burden to R3.51 per packet of 20 cigarettes, or an increase of 34 cents per packet.

These excise measures will raise R798 million.

Government has steadily reduced excise duties on soft drinks over the last four years. It is proposed to abolish the remaining 6c a litre duty. The estimated revenue loss will amount to R135 million.

Fuel levy

Mindful of the effect of the depreciation of the rand on pump prices and the dependence of our urban public transport system, there will be no change in the general fuel levy on diesel and petrol this year. The tax burden on fuel has fallen from an average of 45 per cent of the pump price in 1998 to approximately 30 per cent in 2001.

Environmentally-friendly diesel fuels

Madam Speaker, we are advised that it is now possible to power a motor vehicle using crushed sunflower seeds. Environmentally-friendly biodiesel and ethanol alternatives have the potential, our advisers tell us, to reduce our dependence on imported fossil fuels and provide a growing market for employment-intensive oil seed crops.

To provide appropriate encouragement to these developments, it is proposed that a levy at 70 per cent of the general fuel levy rate should apply to the consumption of environmentally-friendly alternative diesel fuels. Other provisions – the Road Accident Fund levy, off-road fuel levy concessions, the SACU excise duty and VAT zero-rating – will apply as for other fuels.
Further maritime diesel fuel concessions

It is proposed to extend the existing full diesel concession to offshore vessels conducting research in support of the maritime industry, coastal patrol vessels, vessel employed in servicing of fibre optic telecommunication cables along our coastlines, harbour vessels operated by Portnet and in-port bunker barges. An estimated revenue loss of R4,1 million to the fiscus and R2,4 million to the Road Accident Fund is envisaged.

Road Accident Fund levy increase

The Road Accident Fund is currently re-engineering its claims processing procedures with a view to striving towards disciplined financial management. On the understanding that the Fund will continue to improve its efficiency and stamp out fraud, the Road Accident Fund levy is increased by 2 cents a litre to 18,5 c/litre to meet the Fund’s ongoing liabilities. This will raise an additional R310 million and will be effective from 3 April 2002.

Addressing tax avoidance and reducing the compliance gap

Madam Speaker, the overall impact of our tax proposals is to provide tax relief of R15,2 billion. This is possible, in large measure, because of the progress SARS continues to make in reducing what we call the "tax gap" – the gap between the revenue that is actually collected and the amount that would be raised if compliance with the tax code was complete.

The gap arises for various reasons. In some cases taxpayers are not aware of their obligations. In others, tax is avoided by aggressive tax planning, while purportedly adhering to the letter of the law. Then there are those who simply ignore their obligations. An increasing number of people are finding that this is a dangerous choice.

The tax gap is of course not only of interest to SARS and the National Treasury. Closing the gap is what makes tax relief and rising social spending possible. Closing the gap allows us to lower the burden on those citizens who meet their obligations and accelerate our investment in meeting the pressing needs of the country.
There are several ways in which we are steadily closing the gap.

- SARS has begun the shift to an integrated audit approach, allowing the examination and comparison of a wide spectrum of taxes in a company's books. This improves our service to taxpayers while yielding valuable comparative information. By drawing on integrated field audits and employment of highly skilled specialists, the Woodmead project in Gauteng, for example, has exposed non-compliance in both the formal and informal sectors of the business community.

- In the banking sector, as announced last year, we have put the spotlight on the arrangements and structures that lead to low effective tax rates. Improved enforcement of current law has already yielded additional collections of R792 million. A review of the taxation of derivative instruments and financial leases will take place in the coming year.

- The number of personnel in SARS's Corporate Tax Centre will double by the middle of this year, contributing both to improved audit capacity and better quality service to corporate business.

- The role of tax advisors and consultants in ensuring better compliance and sound advice to taxpayers is a further area for review in the year ahead.

- Initiatives to extend compliance to areas of the economy where it is erratic or non-existent are being stepped up. As these unfold, SARS will ensure that those who approach the Revenue Service voluntarily to meet their obligations will be met with a helpful and sympathetic reception. Those who don't, will meet us in court.

Details of these and other measures to streamline tax administration and address tax avoidance are set out in the Budget Review. Specific proposals include:

- Introduction of a deeming provision to underpin enforcement of the taxation of foreign income

- Raising the provisional tax threshold from R2 000 to R10 000
- Investigation of the introduction of more frequent provisional tax payments
- Taxation of trusts other than special trusts and testamentary trusts established for the benefit of minor children at a flat rate of 40 per cent.

SARS’s transformation programme, Siyakha, and its technology improvement programme, aim to address the inadequate and outdated systems and technology currently in use and to provide a better quality service to all taxpayers. The reforms will take time before they are fully effective. In the short term, SARS will be launching a complaints office that will operate independently of branch offices, and small businesses will benefit from the simplification of tax forms and more accessible contact centres. As the larger transformation gathers momentum, we will find that our investment in improving tax compliance contributes not just to government revenue, but also to improved accounting and auditing, better governance and reduced financial risk in the business community at large.

Reinforcing corporate governance

The issue of corporate governance and in particular the role of the auditing firms has once again dominated the headlines. The Enron debacle has brought into sharp relief a number of key issues – weak or non-existent governance structures, the fiduciary responsibility of directors, negligent and sometimes reckless management, ineffective auditing, independence of auditors and conflicts of interest arising from inadequate separation between auditing and consultancy. Closer to home a number of corporate failures – Macmed, Leisurenet, Regal Treasury, Unifer – to name but a few, have raised a similar set of issues. Many of these weaknesses were highlighted in the Nel Commission’s Report.

The Minister of Finance has responsibility for the legislation governing the audit profession in South Africa. Last year the National Accountancy and Consultative Forum presented me with a draft Accountancy Professions Bill to replace the existing Public Accounting and Auditors Act of 1991. Having considered the draft legislation and taking account of recent developments both nationally and globally, it is my view that the Bill does not go far enough.
Over the coming months we will actively engage with all the role players to ensure that the Bill addresses our country’s needs in this regard.

**Financing proposals**

After taking account of our spending proposals and revenue estimates, there is a budget deficit of R22.7 billion to finance next year, or 2.1 per cent of GDP.

To date total investment of R27 billion has been raised through restructuring state assets, mainly from international equity partners, of which R17 billion has been used to reduce debt. Given the accelerated pace of implementation some R12 billion from the restructuring of public enterprises is expected in 2002/03, decreasing the net borrowing requirement to R12.2 billion.

We propose to raise R4 billion in short-term loans next year, contributing further to the liquidity of this market. Net foreign borrowing to the value of R16.2 billion is proposed. This will allow domestic long-term debt to be reduced by about R11 billion – in effect, we propose to repay R11 billion in long-term rand-denominated debt next year.

At the end of 2001/02, total net loan debt will amount to R425.1 billion, or 42.9 per cent of GDP, down from over 48 per cent five years ago. Debt will steadily decline as a share of GDP to a projected 37.4 per cent by the end of 2004/05.
Conclusion

Madam Speaker, allow me to express my profound appreciation to:

- President Mbeki for his leadership and the challenges he puts before us, before this House, before our nation and before our continent.
- Deputy President Zuma and my Cabinet colleagues, particularly the members of the Ministers’ Committee on the Budget, for your support and initiative in bringing forward budget suggestions.
- Deputy Minister Mandisi ‘Sipho’ Mpahlwa for sharing the duties we carry and for friendship.
- My “Team Finance” colleagues in the Provincial Executive Councils, who have led with courage and professionalism.

Our task has been greatly facilitated by several others:

- Governor Tito Mboweni and his team at the South African Reserve Bank,
- Murphy Morobe and members of the Financial and Fiscal Commission,
- Philip Dexter and Nedlac,
- Ms Barbara Hogan and Ms Qedani Mahlangu, as Chairpersons of the Portfolio and Select Committees of Finance, respectively.

A special word of thanks is due to the many South Africans who took time and made the effort to write, fax and email us their suggestions for the Budget. We have tried to accommodate as many of these as possible. I am sorry that some ideas – such as the abolition of Personal Income Taxes – could not be accommodated. Apologies also to the correspondent who requested that ice-rink tickets should be zero-rated for VAT purposes.

The Budget is largely the fruit of the efforts of the National Treasury and the Revenue Service. Special thanks are due to Maria Ramos and Pravin Gordhan for the leadership they have given.
Thanks also to the staff of the Ministry who have tolerated us with good cheer. Last but not least, to my family for their unwavering support.

This Budget makes an important contribution to achieving more caring, more compassionate, more prosperous society. A society with the imagination to achieve solidarity, freedom from poverty and human dignity. A society that nurtures its children, that respects and cherishes its elderly. A society that draws deeply on its history and the qualities of its struggle – resilience, humility, courage, wisdom, toierance, assurance, and an indomitable spirit for life. These values are rooted deep in the psyche of our nation. They guide us now as they guided the great leaders of our country. And although we have achieved our liberty, the vision that inspired that great patriot, Chief Albert Luthuli, must continue to be what we aspire to and strive for.

The task is not finished. South Africa is not yet a home for all her sons and daughters. Such a home we wish to ensure. From the beginning our history has been one of ascending unities, the breaking of tribal, racial and creedal barriers. The past cannot hope to have a life sustained by itself, wrenched from the whole. There remains before us the building of a new land ...from the ruins of the old narrow groups, a synthesis of the rich cultural strains which we have inherited. ...The task is immense.

Albert Luthuli (1962), *Let my People Go.*
PART 6

Comparative Analysis
COMPARATIVE ANALYSIS

The Budget Speeches of the three Ministers of Finance, which span the years from 1985 to 2002, have much in common. But, while they all seem to be similar, in that they are part of the ceremony of presenting the annual national budget to Parliament and so praise the budget that is proposed, they differ in their fundamental political goals.

To review: the 1985 Budget Speech was presented by Mr Barend du Plessis at the height of the struggle against apartheid (even though there were some moves towards reforming apartheid policy); the 1993 and 1994 Budget Speeches were delivered by Mr Derek Keys who worked first under the apartheid government in 1993 when they were negotiating to become part of the GNU, and then he worked under the GNU in 1994; the final Budget Speech in our selection was delivered by the current Minister of Finance, Mr Trevor Manuel, in 2002, and he is working for an ANC led government in a post-1994 South African state.

The Budget Speeches are similar because they are epideictic speeches (they praise the budget that the Minister of Finance is proposing to Parliament) they have the same overall structure (in terms of having identifiable introductions, bodies, and conclusions; and traditions for thanks, proposals and stating income and expenditure)
and they have similar messages (to build consensus around the appropriateness of the budget).

They differ in the way that the messages are put across: the 1985 speech is long, detailed, and uses plain language; the 1993 and 1994 speeches are much shorter, and have a professional businessman’s flavour (even though there are references to the Proverbs); and the 2002 Budget Speech makes up for its length by being bright, flamboyant and filled with hope and optimism.

All of the Ministers are concerned with topics in economics like the rates of inflation, growth, tax rates for individuals and companies, the budget deficit, and foreign investment. For example, the “unexpected depreciation of the Rand” was a concern in both the 1985 and the 2002 Budget Speeches. In 1985 the cause was known since the decline was a result of the sanctions and economic pressure that other countries were imposing on the South African government. In 2002, the cause was not known, and the Myburgh Commission was set up to investigate the problem. All of the Budget Speeches are concerned with the problem of personal saving and the positive consequences for the economy if people do not live on credit, but create a surplus of savings.

In the 1985, 1993 and 1994 Budget Speeches the problem of government spending was as a result of a poorly run public service, and this was admitted by the Ministers of Finance at that time. It was clear and obvious to all what the problem was. But in the 2002 speech, the government wants to increase the spending of the public service so that service delivery will be increased to poor communities. This shows the difference in the role of the public service: before 1994 it was seen as a mere tool for the government to implement its apartheid strategy, but in 2002 the public service is the backbone and strength of the government, without which it would miserably fail in its objective to increase the amount of infrastructure and improve the daily life of all citizens.
In the analyses above we see that the economic concerns of the Ministers of Finance are relatively the same, the same types of subjects return, sometimes with greater or less significance at the time of the speech.

**Ethos**

Much of the persuasion to adopt the proposed budget comes from the *ethos* of the Minister of Finance. Who the person is that delivers the speech greatly affects the opinions the audience develops of not only the government, but also the proposed national budget.

The Ministers of Finance all use the personal pronoun “I” in their Budget Speeches, but they also use the names of “the State,” and “the Government,” that they work for in order to boost their authority and credibility.

Over time, it can be seen that the ethical appeal of the Ministers of Finance has changed, from the authoritative executive report of Mr du Plessis in 1985, to the more engaging style of Mr Manuel in 2002.

Humour, and the lack of it, plays a large part in how the Ministers of Finance communicate with and are perceived by their audience. The 1985 speech did not have any humour. The 1993 and 1994 Budget Speeches had only one instance of tongue-in-cheek humour. This does not mean that Mr du Plessis and Mr Keys were humourless, but that they presented themselves as being serious, in order to build their credibility by being sober about their economic and political business.

Minister Manuel, on the other hand, does something different with the humour that he employs quite frequently in his Budget Speeches. He makes himself, as the Minister of Finance, more accessible and more friendly by relating humorous anecdotes and using puns and irony. For example, in the 2002 Budget Speech he used a pun on the
word “meet”. This also changes the face of the government to one that is more approachable and closer to the people.

Pathos

The emotional, or pathetic, appeals in the Budget Speech are mainly through the creation in the audience of feelings of pride in the country and what it stands for, commonly known as “nation-building”. For example, Minister Manuel’s call for solidarity in 2002.

All of the Ministers talk about the nation of South Africa in positive terms. However, when Mr Du Plessis talked about it in 1985, it was only the rich and mostly white people who identified with the notion of a prosperous South Africa. In 1985 Mr Du Plessis said that

… if the differences in our society can be resolved by negotiation, by bold initiatives, and the development of acceptable political structures at all levels, our great land of promise will certainly achieve the stability, security and prosperity that is its birthright (1985: 2).

Mr du Plessis wants to show the international audience that the apartheid government is keen on developing South Africa, not only economically for the few, but for its entire people. The oppressed people might think differently of the 1985 budget, which still had many levels of unequal distribution of funds, even though it is not overtly stated.

Later, when Mr Keys mentions the promising land of South Africa in 1994, and Minister Manuel does so in 2002, while the composition of the audience has not changed, their empowerment and prospects for development certainly have, and thus
they perceive the calls of these Ministers of Finance to believe in a new South African Nation as credible and possible, even convincing.

In 1993, Mr Keys said that “It is time to be reconciled to each other and work together for the good of our country (1993: 5)”. This was a visionary statement, especially at the time when the negotiations for a new South Africa were heated and extremely stressful. This is a call for the negotiators to continue their hard work, but it is also a call to fellow citizens to stop the violence that was eroding the townships and keeping major cities and towns in a state of fear. It shows that a white businessman is eager to build the country and to be reconciled to his fellow man, which is a powerful statement and most assuredly would impress the business community.

In 1994, Mr Keys says “This challenge [of reconstruction and development] as we now conceive it, is much more comprehensive than any particular suite of projects, and consists of nothing less than focussing the nation’s efforts on properly meeting the needs and aspirations of all its people (1994: 1).”

As a successful businessman who has moved into government office, the Mr Keys’s statement is most important for the business community. He does not focus on the sum that will be contributed to reconstruction and development, but calls for an understanding of the reasons why it is important. Any business person knows that if there is a greater market for his products, then they will sell more and make more profit. This praise for the new attempt at upliftment of the poor is not only for the poor and vulnerable, but also for increased opportunities for business, especially external business interests.

In 2002, Minister Manuel said: “That [solidarity in identifying with those who suffer] was already a part of us when we stepped back from the precipice – oppressor and oppressed – and began the long journey toward a better life for all (2002: 1)”. Here
the Minister refers to the negotiations stage and the elections stage in the early 1990s. It will invoke in people great happiness that the transformation to democracy had occurred, but they were also unsure of what to expect from the rebuilding of the economy. The analogy used is that the time of 1993-94 was like a precipice, a dangerous outcrop over which the entire nation could fall into oblivion. But with teamwork between the oppressor (the apartheid government) and the oppressed (in this case, mainly the ANC negotiators), the team managed to move forward into an unknown future, which has turned out to contain significant improvements in the quality of life for everyone.

**Logos**

Rhetoric is not concerned with threatening behaviour, or coercion of any sort. Rhetoric is interested in analysing the way that speakers make promises or threats (or warnings) to audiences in order to bring about a different sort of behaviour from them. In Perelman we read:

...any action designed to obtain adherence falls outside of the range of argumentation to the degree that the use of language is lacking in its support...We are interested in such procedures only when they are emphasised by way of language, for example, by resort to promises or threats (1969: 8).

In the Budget Speeches, the Ministers of Finance have different rhetorical strategies for encouraging the audience to adhere to the tax laws. All the Ministers of Finance want to urge the audience to paying tax, and if the citizens and businesses do not, they are, in a most logical manner, “threatened” with courses of action that the Minister can and will take against them. In the case of the 1985 speech, Minister Du Plessis says that he will introduce retrospective legislation to counteract aggressive tax planning (1985: 14), while Minister Manuel in 2002 says that he will use the courts to enforce the law. Du Plessis’ threat is made in earnest, and in a very serious
manner, while Minister Manuel’s stern warning (2002: 28) is delivered with humour, using a pun on the verbs “see” and “meet” (at the South African Revenue Services offices, or in court).

This example shows the difference in the appeal of the Ministers who are working under vastly different types of government. Under the apartheid government, a new law will be enacted to counter tax evasion and under the new liberal democratic style of the post-1994 government, the American style of “seeing you in court” is evoked.

Mr Keys does not mention any threat to tax evaders, but does mention that he has “an adverse view of the role played by certain professional advisers in preparing and marketing a number of dubious tax schemes to taxpayers (1993: 10)”, and only speaks of the transition levy, and not of the result for people who refuse to pay it. Mr Keys uses his own authority and ethos to throw a negative light on tax evasion, and thus persuade that audience to pay their taxes, not because of dire consequences for them, but because it will go against the opinions of the Minister who stands for nation building and reconciliation; thus the tax evader becomes someone who does not wish for the prosperity of the new South Africa. No one will want this to be said of them, and thus they will be inspired to pay their tax, even if they are not at first willingly to do so.

The first part of the 1993 speech is based on a series of logical arguments. This example is significant because it takes the audience on a journey giving them a plan for how the target of the budget deficit will be reached. Mr Keys gives the reasons for the budget deficit, and then in a very professional business-like manner sets about explaining his ideas on how to get on top of the R40 billion sum that he is working to obtain. This approach, through logical, cool, reasoned argumentation causes the audience to understand the situation and what is to be done about it. This sort of argument does not appear elsewhere in the selected budget speeches.
Appeals to authority

In the selected Budget Speeches there are many appeals to different sorts of authority.

In 1985 there were no appeals to a higher God, only a major appeal to the *ethos* of the State President who by virtue of the 1984 Constitution had considerable power. The speech starts with thanks to the State President for his involvement in the creation of the budget, and this gives authority to the Minister of Finance and inspires confidence in the budget that he presents.

In 1993 and 1994 Mr Keys appealed to God, and used Proverbs to appeal to the people to work together during the transition years..

In 2002 there were appeals to figures in western philosophy and economics which shows that the Minister is learned and literary and helps to build his credibility with the audience.

Perelman says that the quotation of an authority serves to produce a “communion” in the audience, a sense of commonality and solidarity:

> The figures that relate to communion are those in which literary devices are used to try and bring about or increase communion with the audience. Often this communion is achieved through references to a common culture, tradition or past. … Quotation can be regarded as a figure relating to communion only when it is not fulfilling its normal role of backing up a statement with the weight of authority (1969: 177).

The Ministers of Finance want to create a communion in their audience around authorities that they deemed worthy at the time: in 1985 it was the State President, in
1993 and 1994 it was God, and in 2002 it was Intellectuals and Leaders of the liberation movement.

**Speaking to specific audiences**

Mr du Plessis is keen to focus on specific audiences in particular the white farmers who have been a major voting force. He also praises the approach of the Defence Force and the public service. All these groups have significance for the National Party who was in power then, because they represent a major part of the voters, and the white community who looked to the government for protection. The Minister is acknowledging these groups and allaying their fears that the government may not be concerned about their welfare.

Mr Keys does not mention these groups, but other groups that are slowly becoming very important for the development of South Africa, namely, the business people. In 1993, the budget was geared towards creating a climate for foreign investment. The Mr Keys said:

> In my view the measure proposed today the policy course now embarked upon will serve to arouse greater interest in this country on the part of overseas businessmen and investors (1993: 15).

In 1994, Mr Keys outlined “two initiatives aimed directly at the stimulation of investment, growth and consequently jobs (1994: 6)”, which were to remove import surcharges and decrease income tax for companies whose presence promotes economic development and growth.

Minister Manuel, on the other hand, while taking business people into account, actually speaks directly to the public, especially to the poor who will respond to the *ethos* and *pathos* of the Minister because he uses imagery and emotion to persuade
them to accept his (and the government’s) vision of how the country could be functioning. He speaks of solidarity in the community, not any particular community, like business or the farming community, but everyone as South African citizens who are also part of the African continent. He says that his budget “gives priority to reducing poverty and vulnerability though sustained economic growth (Manuel 2002: 3)”.

Here he speaks directly to the poor who form a large support base for the ANC.

The three Ministers direct their speeches toward their voting constituencies (in 1985), the business community (in 1993 and 1994), and the vulnerable (in 2002). This shows the changing rhetoric of the government. The apartheid government wished to stay in power for as long as possible, and thus took care of its voters. The transitional GNU sought foreign investment in the hope of building a nation not only politically, but economically as well. But in 2002, the problems of the poor and their upliftment become the standard topic for the government which it claims is not because they are mostly voters for the ANC, but because the government wishes to create a South Africa that is a prosperous caring country.

**Dispositio – Arrangement**

Mr Du Plessis opens his speech with thanking the State President and others who helped in producing the budget. This serves to honour the people who worked hard to produce the budget, but also shows the sort of man that Du Plessis is, that his ethos is of a man who regards team work highly, and is keen to acknowledge it. This immediately creates a good image of him; building is credibility, especially since he moves on to talk about nation-building in the next section of his speech.

Mr Keys opens his 1993 Budget Speech with a paradox of being the “new boy” who is presenting his first budget as the last budget of the outgoing apartheid government. The 1994 Budget Speech starts with expressing the success of the reduction of the budget deficit as set out in the 1993 speech. Both these introductions build the ethos
of the Minister and shows that the government he works under is serious about managing the economy well as a way to build the nation.

The 2002 speech starts off with ornate rhetoric about solidarity and how South Africa needs it in order to prosper and progress. These words show the people where they come from and what their future could be if they follow the utopian ideals of the Minister of Finance.

The 1985 speech ends with a rhetorical figure of speech “we have an appointment with the future. This budget must help us to keep it (1985: 26)”. The is similar to Mr Keys who ends his speeches with exhortations to positive and inspired action as well:

The members of the Government, the members of this House, and our millions of fellow citizens have spent the past several years demonstrating our ability to set the highest goals – and to achieve them. This is one more. Let’s do it again (1994: 8).

Without Counsel, purposes are disappointed; but in the multitude of counsellors they are established (1993: 15).

Minister Manuel ends off his speech with a quote from the book of Albert Luthuli, a past president of the ANC:

There remains before us the building of a new land … from the ruins of the old narrow groups, a synthesis of the rich cultural strains which we have inherited … The task is immense (2002: 31).

Mr Keys ends off his 1993 speech with a quote from Proverbs: “Without Counsel, purposes are disappointed; but in the multitude of counsellors they are established (1993: 15)”.
Perelman says that:

To make his discourse effective, a speaker must adapt to his audience. What constituted this adaptation, which is a specific requisite for argumentation? It amounts essentially to this: the speaker can choose as his points of departure only the theses accepted by those he addresses (1982: 8).

As seen above, the Ministers of Finance only speak about those things that are acceptable to their audiences. They anticipate what their audience wants to hear (the political aspect), and also feed them what they need to hear (the economic aspect).

As discussed above, the most interesting similarity in all of the speeches is the traditions (it could be possible to call them “rituals”) of declaring the gains and losses of revenue, thanks to those who helped compile the budget, and the tradition of making “proposals” to Parliament which it can accept or reject. Each Minister includes these traditional expressions and arrangements into his speech, in a variety of ways, but the fact is that over a period of 17 years (from 1985 – 2002), even with a change of government, we can identify in the Budget Speeches particular arrangements of language and paragraphs and the occurrence of a similar rhetoric. This is remarkable because the government changed in 1994, and one would suspect that the traditions of the new government might be different, but in the case of the Budget Speech, they have stayed very much the same. It seems that this lack of change is partly as a result of the functioning of Parliament and legislation, and partly as a result of repeating what was done previously.

Elocutio –Style

All the Ministers of Finance use analogy and metaphor in some way in their Budget Speeches.
The 1985 speech has the most understated metaphor at the end, the “appointment” we have with the future. The message of this metaphor is that the time for this appointment will arrive whether we like it or not, and so had better adhere to the proposals of the budget for fear of failing to make it. At that time, the ideas for the future that the Apartheid government had, included creating a third, smaller assembly for black people. But unfortunately these ideas would be cut short because of growing instability in the country as a result of the unrest and economy that was spiralling out of control.

It seems that, like Minister Manuel, Mr Keys also used the metaphor of the budget bearing fruit in his 1993 speech: “I’m convinced that we have submitted a structurally sound budget that’s going to bear fruit in the medium term (1993: 15).

Minister Manuel uses the same fruit metaphor (even though his metaphor more specifically was “fruits of liberty”), in his 2002 speech, which was used by the departing apartheid government. Both governments want their people to prosper and both want them to end the struggle against poverty and vulnerability and move on to greater economic security. The image of the fruit is powerful one, which has a contrasting meaning: following a method of financial and economic discipline which is bitter, has sweet results.

Some of the Ministers use buzzwords and acronyms. For example, Mr Keys used the buzzword “retiral.” And Minister Manuel referred to various acronyms, for example, the little known “MTEF”, or Medium Term Expenditure Framework. The MTEF was a new initiative that he and his team instituted so that Parliament would have a feel for the future income and expenditure of the country, over a period of up to three years, thus increasing his department’s credibility as well as transparency and accountability (since Parliament would have more time to consult regarding the budget before voting on the proposals).
Mr. Manuel includes all language speakers in his speeches. In the 2002 Budget Speech he used words like *vuk'uzenzele* and *mahala*. This shows that the Minister incorporates all the citizens of the country when he formulates his budget and presents it. He speaks the same language as his audience and can understand their longings and desires for a strong economy. Use of languages other than English is not found in the 1985, 1993 or 1994 Budget Speeches.

**Rhetoric of the Budget Speeches**

Mr Du Plessis, in the 1985 Budget Speech, showcases Apartheid Rhetoric at its best. He speaks about the needs of all “cultures” (another way of saying “racial groups”) and he seeks to show that his budget is designed to satisfy those needs, in separate ways and in separate locations. He speaks about the need to sacrifice, to contribute, in light of the nation’s goals. His Budget Speech has some hope for the future, but the hope is vague because the future was uncertain at that time.

Apartheid rhetoric is against communism, it justifies apartheid against the world’s opposite view, and it talks about separate development of racial groupings. In South Africa in 1985, with the country in turmoil, this rhetoric seems to be blind and shows the people who use it to be in denial about what they actually are doing. But apartheid rhetoric is dazzling because it is crisp and logical and so turns what most would think is heinous and brutal, that is separating racial groups and depriving them of their right to citizenship, as part of a way in which the world can be governed.

Mr Keys in 1993 knew that a new government was coming, a new period in the history of South Africa. Hence, his budget is a proclamation of how to bring about the transition to a new more representative government through the budget. He also speaks about sacrifice and making a contribution to the reconstruction of the country. His call to the people to work together for a common goal is different to when

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1 This word means “for free” in Xhosa
Minister Manuel gives the same call. Mr Keys uses the Transition Rhetoric to build the nation, and encourage foreign investment which he says was a major goal for the country at that time.

Minister Manuel’s rhetoric in the 2002 Budget Speech is most confident and lively. His is the optimistic, motivating, uplifting Rhetoric of the African Renaissance where South Africans rise up to take their place on the world’s stage.
CONCLUSION

In South Africa, money and wealth has in the past been unevenly distributed. Therefore, the Rhetoric of the Budget Speeches affects our reality. The economic conditions of the country affects our daily lives: for example, the taxation relief offered by the Minister of Finance is immediate, and literally puts money back into the people’s pockets.

Mr du Plessis and Mr Keys both have created clear sober well-structured Budget Speeches, but Trevor Manuel has created strikingly vivid and engaging Budget Speeches. With the legacy of these Ministers of Finance (from the apartheid, transition and post-1994 periods of South African history) it is possible that the format of the Budget Speeches will remain within the rhetorical bounds that they have set for some time to come.

Perhaps in the next 50 years South Africa will be declared a first world country. Perhaps the Budget Speech of 2054 will declare South Africa a success in building a fantastically wealthy and compassionate nation that can truly take her place in the world as the jewel of Africa and at the forefront of the African Renaissance. Perhaps in the future the continent of Africa will have lifted herself out of war and poverty, conquering disease and strife and emerging into a prosperous world. Then, hopefully, prosperity and wealth will actually be a reality and not just a promise in a Budget Speech.
APPENDIX 1

THE NATIONAL BUDGET PROCESS IN SOUTH AFRICA: 1980S - PRESENT

The reason why the annual national Budget Speech is so important is not self-evident. There is also some confusion around how and why the national budget operates and how the Budget Speech specifically fits into this process. This section attempts to give a brief overview and explanation of how the Budget Speech is an integral part of the national budgeting process.

In Promises, Plans & Priorities (Abedian, Ajam & Walker 1997: 70-73) give us an idea of the "broad stages" of the current budget process:

1. Drawing up the multi-year planning framework
2. Drafting of business plans and estimates of expenditure
3. Cabinet approval of medium-term plans
4. Revenue sharing [a division made by the Budget Council]
5. Cabinet approval [of the Budget Councils recommendations]
6. Consolidation of estimates of expenditure and presentation to legislatures
7. After Budget Day: debate within various legislatures and their committees follows
8. Adjustments estimate
9. Auditor-General report

It is in stage 6 that the Budget Speech is made. The authors explain that:

The Minister of Finance consolidates the estimates of expenditure and reads the proposed national budget. The provincial Members of Executive Council
(MECs) for Finance fulfil this function in the provinces. Once this entire process is completed the annual expenditure budget, together with financing proposals, are presented to Parliament on Budget Day, and made available to the public (Abedian, Ajam & Walker 1997: 71-72).

Broadly speaking, in South Africa, the presentation of the National Budget to Parliament by means of the Budget Speech goes hand in hand with the introduction of the Division of Revenue Bill (and afterwards the Appropriation Bill) which will later become the Division of Revenue Act (and the Appropriation Act, respectively) later on in the specific year these Bills were introduced to Parliament. The importance is that these Acts authorise government to spend the money it has divided. The process entails that the people of South Africa, as represented in Parliament, be told about the plans of the government before it is given authorisation by Parliament to allocate and spend the money.

We know that in apartheid years, the budget process was more centralised, but the Budget Speech was still an integral part of the process because “No moneys shall be withdrawn from the State Revenue Fund, except in accordance with an Act of Parliament (Republic of South Africa Constitution Act, no. 110 of 1983: 37).” In order for such an Act to be passed, the Minister of Finance has to introduce the Division of Revenue Bill into Parliament and that is what Mr. du Plessis did for the first time in 1985 with the Budget Speech as support for and explanation of the data.

In the 1980s, in Parliament the national budget was debated and then presented as a final Appropriation Bill:

The presentation of the budget commences with the Minister’s Budget Speech which proposes a motion that the annual main Appropriation Bill be read a second time, thereby representing the executive branch’s formal request to Parliament for authority to spend funds (Van der S. Heyns 1982: 3).
This procedure is illustrated in the 1985 Budget Speech transcript which begins with the following:

APPROPRIATION BILL
(Second Reading)
Introductory Speech delivered at Joint Sitting on 18 March

* The MINISTER OF FINANCE: Mr Speaker, I move:
That the Bill be now read a second time.
Before commencing my second reading speech....

In the example above, the Budget Speech for that year is given the title of “Appropriation Bill” which means that it is not just a speech, but a formal document for Parliamentary consideration. The second title is the “second reading” which is the formal request to Parliament to accept the proposed Budget. The “introductory speech” terminology is used because the Budget Speech introduces the proposed budget to Parliament who has to accept or reject it after some debate. The first words of the speech are “Mr Speaker, I move...” which indicates that the Minister of Finance is officially introducing a Money Bill into Parliament. In the case of the 1985 Budget Speech, it is obvious how the Bill and the Speech are intertwined, that is to say, how what will be written into the laws of the country are intertwined with the words of the Budget Speech. The other Budget Speeches in the selection for analysis in this dissertation do not begin so formally, but they have the same function of expressing what bare tables of income and expenditure which need

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1 In the current Parliamentary rules, which can be found at www.parliament.gov.za, a Money Bill is something that only the Minster of Finance (or the National Treasury) can introduce to Parliament.
to be passed in an Act of Parliament require in order to be understood by everyone before it is written into law.

It can be seen that the creation of the national budget has moved from a more centralised system in 1985 to a more decentralised system in the present (Abedian, Ajam & Walker 1997: 16). In both systems the tabling of the annual national Budget in Parliament becomes a place where the Minister of Finance has to persuade the people that the budget is fair and appropriate:

In previous years, decisions on the national budget were taken in Pretoria. Now important budget decisions are also taken by provincial governments, which should be better able to reflect provisional priorities. Therefore, the budget is closer to the communities it affects than in the past. It is important to be aware of the budget in order to make sure government remains accountable to the people (Abedian, Ajam & Walker 1997: 13-14).

More specifically, in the Constitution of the Republic of South Africa (Act no. 200 of 1993), it states:

**Annual budget**

186. The Minister responsible for national financial affairs shall in respect of every financial year cause to be laid before the National Assembly an annual budget reflecting the estimates of revenue and expenditure, which shall, *inter alia*, reflect capital and current expenditure of the government for that year.

The move by the post-1994 government to have a less centralised budgeting process is part of its aims to be more transparent and accountable, and in line with the latest Constitution. Here is the relevant text from the Constitution of South Africa, Act 108 of 1996, chapter 13:
Equitable shares and allocations of revenue

214. (1) An Act of Parliament must provide for

a. the equitable division of revenue raised nationally among the national, provincial and local spheres of government;

b. the determination of each province’s equitable share of the provincial share of that revenue; and

c. any other allocations to provinces, local government or municipalities from the national government’s share of that revenue, and any conditions on which those allocations may be made.

National, provincial and municipal budgets

215. (1) National, provincial and municipal budgets and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector.

(3) Budgets in each sphere of government must contain

a. estimates of revenue and expenditure, differentiating between capital and current expenditure;

b. proposals for financing any anticipated deficit for the period to which they apply; and

c. an indication of intentions regarding borrowing and other forms of public liability that will increase public debt during the ensuing year.

The two most important aspects of this legislation for the Budget Speeches are in paragraph 214 (1) where the constitution states that the Budget has to be an “equitable division of revenue,” and in paragraph 215 (1) which states that national budgets “and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector”. The annual national Budget Speech is part of the process which makes the Budget more transparent, and the speech is where the equality of the division is argued for. The
Division of Revenue Bill and the Appropriation Act are merely tables of information\(^2\), but the Speech that the Minister of Finance makes when he or she introduces the most important Money Bill of the year in Parliament becomes the text which brings about consensus on the issues that have been discussed over the period of time beforehand when the budget was being drafted.

It must be noted that even though the Budget is presented to Parliament, and even though there are "proposals" in it, Parliament really does not have much control over the budget:

As things stand, Parliament has no power to amend the budget because the budget is a money bill. Bizarrely, though, Parliament's inability to amend money bills is not because of a specific ban but because the relevant piece of law is (still) missing (*Business Day*, 27 Jan 2004).

It is obvious that the Budget of the country is very important and not just anyone should have input into it, however, balancing democratic processes with keeping a tight control over the economy is not so easy, but there is still a long way to go for South Africa, for example:

The government’s flagship policy document of 1996, GEAR, was privately negotiated by a select group of economists and government officials. When government adopted it, Mbeki boldly proclaimed that it was ‘not negotiable’. Manuel took a similar line and has never been willing to discuss the merits of the government’s economic policy, which he sees as government’s arena (Mnyanda in Parsons 2004: 168).

\(^2\) Examples of the Acts and Bills of South Africa can be viewed at the official government web site at www.gov.za.
When the Budget comes to Parliament, when the Budget Speech is presented, then all the hard work has already been done in terms of the cycle for the year. And in the case of GEAR, there was very little public debate and input on the economic policy of the country even in the drafting stages. More recently, efforts have been made to bring greater accountability to government spending through the implementation of the Public Finance Management Act (1) of 1999, specifically chapter 4 which says:

26. Annual appropriations. - Parliament and each provincial legislature must appropriate money for each financial year for the requirements of the state and the province, respectively.

27. National annual budgets. – (1) The Minister must table the annual budget for a financial year in the National Assembly before the start of that financial year or, in exceptional circumstances, on a date as soon as possible after the start of that financial year, as the Minister may determine.

   …

   (3) An annual budget must be in accordance with a format as may be prescribed, and must at least contain

   (a) estimates of all revenue expected to be raised during the financial year to which the budget relates;

   (b) estimates of current expenditure for that financial year per vote and per main division within the vote;

   (c) estimates of interest and debt servicing charges, and any repayments on loans;

   (d) estimates of capital expenditure per vote and per main division within a vote for that financial year and the projected financial implications of that expenditure for future financial years;

   (c) estimates of revenue excluded in terms of section 13(1) or 22 (1) from the Revenue Fund for that financial year;
(f) estimates of all direct charges against the Revenue Fund and standing appropriates for that financial year;

(g) proposals for financing any anticipated deficit for that financial year;

(h) an indication of intentions regarding and other forms of public liability that increase public debt during that financial year and future financial years;

(i) the projected –

(i) revenue for the previous financial year;

(ii) expenditure per vote, and per main division within the vote, for the previous financial year;

and (iii) borrowing for the previous financial year; and

(j) any other information as may be prescribed, including any multi-year budget information.

4) When the annual budget is introduced in the National Assembly or a provincial legislature, the accounting officer for each department must submit to Parliament or the provincial legislature, as may be appropriate, measurable objectives for each main division within the department’s vote. The relevant treasury may co-ordinate these submissions and consolidate them in one document.

This chapter of the Public Finance Management Act states what the minimum is that a Budget for South Africa should contain, namely, estimates and projections of all revenue, current expenditure, interest and debt, capital expenditure, direct charges, financing of the deficit, intentions for borrowing.

About the current budget process, McIntyre and Nicholson say that “further changes are likely. So the Budget process, like South Africa itself, is in a process of transition (1999: 1)” For example, the latest change in presenting the budget to the people is through creating a Medium Term Expenditure Framework (MTEF) which allows the
government to present a budget halfway through the annual cycle and thus increase accountability and transparency to the people.

It must be said that a large part of understanding the Budget lies in educating the participants about the Budget and its processes. Not just anyone should have access to or be able to influence, the Budget, since it contains information that controls the entire country’s future. But a minimum of educational and marketing efforts should be made by government, to government officials and the public. This was attempted by Barend Du Plessis in the mid-1980s when he was Minister of Finance. In an interview with the writer he said:

What I really tried to do was try, and I say this with respect, to educate or inform is perhaps a kinder word, my cabinet colleagues about the fundamentals. What I did was, and you will note in the introduction that I thank the Prime Minister for it: I got Gerhard de Kock, the governor of the Reserve Bank, and I got Chris Stals, to come and inform the cabinet, for the first time in the history as far as I know, somebody carried a flip chart stand into the cabinet room, so that Gerhard could write on it and literally lecture almost. And I personally did that on several occasions, and on one occasion when I walked in with my flip chart one of my senior colleagues said to me “Are you at it again?” … But what I tried to do was inform people. And I continued for a year until P. W. Botha abruptly stopped it, he instructed me not to carry on with it any longer, and that was that (Interview-BDP 2003).

The most important aspect of being accountable is making sure that the public understand the basic notions that revolve around the national Budgeting process and what the timeline is for public input into the process.

As can be judged from this brief input on South Africa’s budgeting process and its attempt at reforming that process, the Budget Speech remains an integral part of
informing the people about the annual national Budget, and obtaining their consent to implement the division of revenue that the government has proposed.
Budget consultation

The Congress of South African Trade Unions welcomes the decision of Parliament’s Joint Rules Committee to approve the report of a special subcommittee on oversight and accountability which recommends that Parliament be given the power to change the budget tabled by the Minister of Finance.

COSATU agrees with the sub-committee that “Parliament does not currently effectively participate in the budget process” and supports its recommendation that Parliament should develop an influencing role for itself during the process of compiling the budget.

This recommendation is in line with the demand which COSATU has campaigned for since March 1997 for Parliament and civil society to have a say over the budget. Since then, COSATU has not made a submission on the budget, stating before Parliament’s Finance Portfolio Committee that: "We are frustrated by the nature of the budget process which renders meaningless both contributions from civil society and the deliberations of the elected people's representatives."

The federation decided that it would only participate in future parliamentary budget hearings "if meaningful participation is made possible through a reformed budget process." It also pointed out that the Constitution requires the enactment of legislation to empower Parliament to amend money bills, such as the budget, instead of the current system of voting to accept or reject them and that government was therefore in breach of the Constitution. It said that without such legislation the participation of Parliament in respect of money bills was reduced to a ritual.

If Parliament now accepts the Rules Committee’s recommendation, it will have brought Parliament’s procedures in line with the constitution and will also honour the ANC Election Manifesto’s commitment to ensure that elected representatives in national, provincial and local spheres have the appropriate powers to shape budgets.

COSATU therefore urges the National Assembly and the National Council of Provinces to adopt the Committee’s views and implement them fully and without delay, so that future budgets are debated by MPs and civil society and thus more faithfully reflect the views of the people of South Africa.

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Thorny issue of Parliament's say in the budget must be clarified

WITH just more than three weeks to go to budget day, Finance Minister Trevor Manuel yesterday launched his annual "Tips for Trevor" campaign.

More than 1500 people responded last year to the minister's pre-budget request for ideas and advice. In two cases, he was sufficiently taken with suggestions to invite the tippers in to talk about them.

One wonders if members of Parliament believe they have as much influence over the budget as those two members of the public. Parliament's relatively limited role in SA's budgetary process has long been a thorny issue and for good reason. It's easy to say the budget should be just as open to influence by a democratic parliament as any other legislative measure. But it's not that easy to build in that influence effectively or constructively.

Then there's the question of whether the politicians in Parliament should be allowed to go beyond simply influencing the budget process to actually tinkering with it. Even in a democracy, it's not obvious that they should.

As things stand, Parliament has no power to amend the budget because the budget is a money bill. Bizarrely, though, Parliament's inability to amend money bills is not because of a specific ban but because the relevant piece of law is (still) missing.

The constitution (in section 77) says Parliament must enact legislation setting out the process by which it can amend money bills. We don't yet have that legislation. An attempt about five years ago ran aground. The joint budget committee, set up in late 2002, has as one of its tasks to make proposals on Parliament's power vis-à-vis the budget. Nothing has emerged yet.

So this is a case, perhaps, more of neglect than of principle. But the principles are pretty important, and the answers are by no means clear. The budget is, in a way, the most important piece of legislation that comes to Parliament, in that it gives effect to the policy decisions taken by government what use any number of policies if the money is not there to implement them? In theory, then, a democratic parliament should certainly have a say over the budget, enough of a say that it can make changes.

But in practice it's not so simple. The budget is like any other spreadsheet (actually, it's like any other budget ). Change one line item and the rest must change accordingly; spend more and you must raise the money somehow (or increase debt) to finance it. It should be no surprise if the executive of government is a bit nervous about giving Parliament power to amend the budget. In practice, such tinkering could cause chaos. Even if it just caused delay, uncertainty over issues such as tax and the level of the budget deficit could be bad for financial markets.

One option would be to give Parliament limited, incremental power to amend items as long as the deficit is unchanged along the lines of budget process measures introduced recently in France, where executive decision-making over the budget had tended to predominate in the past.

But there is still the question of whether Parliament should be able to do last-minute tinkering , with a budget that has taken a great deal of time and a high degree of skill to compile. Some ask how meaningful it is to grant legislators the power to make changes at the last minute, when all the thinking has already been done by the national treasury.

Arguably, the time to give Parliament a say in the budget is in the 12 months prior to the minister's presentation. That comes back to broader questions about how to give parliamentarians a real role in the
budgetary process and at a detailed level, not just the big-picture level set out in the medium-term expenditure framework.

Skills and resources are key issues. The dearth of research capacity to support SA's legislators is a problem generally, not just in relation to the budget. But assessing the technicalities of the budget, taxation and so on requires particular skills.

The national treasury is educating members of the committees that scrutinise the budget. And it has plans to start building in a more meaningful role for parliamentarians, by drawing up a draft appropriation bill for them to consider, say, three months ahead of time. But more resources and research capacity will be needed, especially if Parliament gains legal power to change part or all of the budget.

There may be need, too, to streamline structures. The joint committee, which brings together members of Parliament and of the National Council of Provinces, on government and opposition sides, is still quite new. It looks at the expenditure side of the budget, while the parliamentary finance committee looks at the macroeconomics of the budget and the tax proposals.

In many countries, revenue and spending are treated separately, so it does make some sense for different committees to consider the two sides. But there must be some overlap and confusion, with skills spread fairly thin. In any event, the joint committee is an interim measure, since the committee is tasked with proposing changes to the system. It should not delay too long. The budget is too important to be put on the back burner.

http://www.bday.co.za/bday/content/direct/1,3523,1528626-6078-0,00.html
APPENDIX 2

SOUTH AFRICAN FINANCE MINISTERS 1910 – 2004

1910 – 1912  Henry Hull
1912 – 1915  Jan Smuts
1915 – 1916  David de Villiers Graaff
1916 – 1917  Henry Burton
1917 – 1920  Thomas Orr
1920 – 1924  Henry Burton
1924 – 1939  Nicolaas (Klasie) Havenga
1939 – 1948  Jan Hofmeyr
1948 (4 months) Frederick Sturrock
1948 – 1954  Nicolaas (Klasie) Havenga
1954 – 1956  Eric Louw
1956 – 1958  Tom Naudé
1958 – 1967  Eben Dönges
1967 – 1975  Nico Diederichs
1975 – 1984  Owen Horwood
1992 – 1994  Derek Keys
1994 – 1996  Chris Liebenberg
1996 to date  Trevor Manuel

APPENDIX 3

ABBREVIATIONS

ACDP  African Christian Democratic Party
ANC  African National Congress
CODESA Convention for a Democratic South Africa
COSATU Congress of South African Trade Unions
DA Democratic Alliance
DP Democratic Party
GEAR Growth, Employment and Redistribution Strategy
ID Independent Democrats
IDASA Institute for a Democratic South Africa
IEC Independent Electoral Commission
IFP Inkatha Freedom Party
NEPAD New Partnership for Africa’s Development
NP National Party
NNP New National Party
PAC Pan Africanist Congress
RDP Reconstruction and Development Programme
SACP South African Communist Party
SAPA South African Press Association
UDM United Democratic Movement
UDF United Democratic Front
UP United Party
APPENDIX 4

FRONTISPICE PICTURE CREDITS

From top left:

1. Cover of 1985 Budget Speech, Government Printer
2. Cover of 1993 Budget Speech, Government Printer
4. Derek Keys, source: www.bhpbilliton.com
5. Trevor Manuel, source: www.treasury.gov.za
6. Cover of the 1994 Budget Speech, Government Printer
7. Cover of the 2002 Budget Speech, Government Printer
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