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TREFWOORDE

1 Business Rep.

2 Manuel!

3 Parliament

4 Lorraine Lee

5 Dalings

6 Rendeles

7 Takings

8 Provisions

9 Shude

10 Disposition

Minister says rate cuts not always best medicine

# Manuel cans orthodoxy

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PARLIAMENTARY CORRESPONDENT

Cape Town — Trevor Manuel, the finance minister, last week clearly signalled to the nation that orthodox economic solutions no longer held water in today's fast-globalising world.

In several debates in parliament after presenting his medium-term Budget policy statement, Manuel said this was demonstrated by the decision last week by the Bank of England to reduce interest rates for the second time in a month in a bid to boost flagging growth.

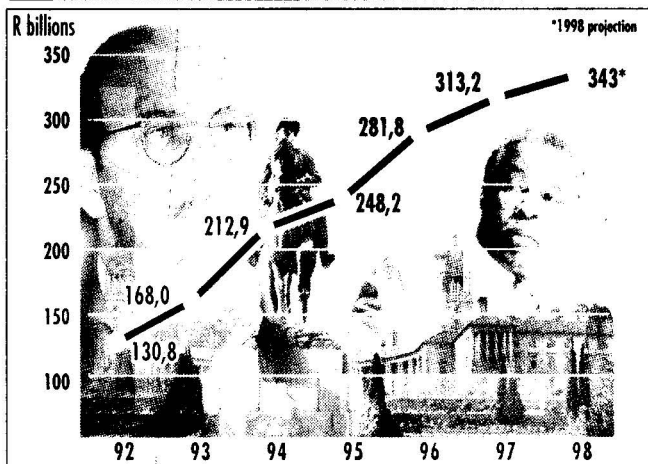
Manuel said this demonstrated that Group of Seven nations were now prepared to take new approaches to economic management.

"We cannot hang on to these issues in the same way as they were hung on to in the past.

"It is a change in the orthodoxy. We should be seen to be a lot more sober about taking decisions that would at other times be seen as contra-cyclical to provide a basis for sustainable growth."

He indicated that he did not necessarily believe interest rates cuts were the best medi-

## National debt



cine for the economy because they were "a blunt instrument, and the burden rests disproportionately on the working poor".

In the debate on his adjustments estimates, Manuel said that of the R1 billion extra provided for the provinces, the Eastern Cape would get R177.4 million, Free State R69 million, Gauteng R148.6 million, Natal R195.6 million, Mpumalanga R65.8 million, Northern Cape R24.7 million, Northern Province R131.7 million, North West R86.1 million and the West-

ern Cape R101.1 million.

Manuel said the funds would be used to deal with cash flow overruns and with the settlement of debts, and not new consumption expenditure.

The national assembly approved the estimates and the Conversion of Sasria Bill which will allow for the conversion of the South African Special Risks Insurance Association from a Section 21 to a public company. Its excess reserves will be used to help pay off government debt.