



Economic Digest 3

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What's the obsession with the South African Reserve Bank?

Over the last few days the questions of 'widening the mandate' of the SA Reserve Bank, and possibly of nationalising it, have been trending on every news platform. The governing party's two most senior minds on economic matters (Finance Minister Tito Mboweni, and ANC Head of Economic Policy, Enoch Godongwana) were forced to contradict the assertion of their Secretary-General that the ANC had decided to change the mandate of the SARB. The following few articles will assist in understanding some of the issues involved in the debate.

A guide to South Africa's Reserve Bank

What does the Reserve Bank do? Who owns it? And what would nationalising the bank mean? Here are nine questions about South Africa's central bank. <https://tinyurl.com/yy5zfubp>

ANC's Reserve Bank squabble intensifies

"The fight within the ANC over the expansion of the mandate of the SA Reserve Bank intensified with Cosatu calling for the Constitution to be changed to allow it. In 2017, the ANC's national elective conference resolved to nationalise the SARB, but there have been political differences within the ANC and its alliance on whether or not the bank's mandate should be amended." <https://tinyurl.com/y5nx8fly>

The Reserve Bank and 'quantity easing' mess reveals a party in deep internal crisis

"The very public slapping down of Ace Magashule by, among others, Tito Mboweni and Enoch Godongwana is yet another expression of just how comprehensively the ANC is divided. The argument was sparked by the ANC's secretary-general, Ace Magashule, saying that the National Executive Committee lekgotla had resolved to change the mandate of the Reserve Bank with regard to inflation targeting." <https://tinyurl.com/y4x2lbr8>

Here's what quantitative easing would mean for South Africa

"In a statement published on Tuesday, after its NEC lekgotla, the ANC stated that it wants Government to consider constituting a task team to explore quantity easing measures to address intergovernmental debts to make funds available for development purposes. Quantitative easing has historically been used by the US and a number of European countries. It is a monetary policy whereby the central bank buys predetermined amounts of government bonds or other financial assets to inject money directly into the economy." <https://tinyurl.com/yy4df8hf>

Nationalising South Africa's central bank isn't bad per se: just what's done with it

“On its own, a change of the bank’s ownership from private shareholders to the South African government wouldn’t affect the constitutional mandate of the central bank. Government ownership doesn’t automatically imply government control. This is evident in countries like the UK, Sweden and Denmark, where government ownership of central banks doesn’t affect their unwavering commitment to keep inflation under control.” <https://tinyurl.com/y2reodeb>

Now is not the time to fight about the SARB’s mandate

“This is not a good start to the year for Ramaphosa’s administration, which continues to struggle with numerous legacy issues that have resulted from years of poor economic management and graft. As long as economic growth remains at these kinds of mediocre levels, government is not going to gain any real traction in resolving key challenges of inequality and unemployment, and specifically youth unemployment.” <https://tinyurl.com/y3c79fp2>

Apart from the economic policy aspects of this debate, there is also a question of governance. Policy consistency on such a vital issue would be important at any time, but when the economy is at such a low point, and when the country is striving to emerge from the maladministration of the Zuma years, it is absolutely vital.

Some commentators see Mr Magashule’s announcement as part of a strategy of undermining President Cyril Ramaphosa’s position, and therefore as a deepening of the divide between the reformist and the populist wings of the ANC. In their view, Mr Ramaphosa will soon have to show who is actually in command of government policy.

<https://www.dailymaverick.co.za/opinionista/2019-06-06-anc-speaks-with-forked-tongue-its-time-for-ramaphosa-to-stamp-his-authority-on-the-country/>

<https://www.dailymaverick.co.za/article/2019-06-05-cyril-ramaphosa-loses-third-power-play-to-ace-magashule-in-under-two-weeks/>

<https://www.news24.com/Analysis/first-take-ramaphosa-must-act-over-magashules-disastrous-sarb-statements-20190605>

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