Scare tactics can't obscure sound reasons for nationalising the Bank

The Reserve Bank is a key state institution. Like the judiciary, its independence is guaranteed by law. It only makes sense that it is 100% owned by the state

Sunday Times, South Africa · 22 Mar 2020 · 25 · By MZWANDILE MASINA Masina is chair of the ANC in Ekurhuleni

The Reserve Bank ought to follow a mandate that takes into account not just inflation targets, but the employment needs of the country too, says the author.

• The assertion that the ANC resolution on the South African Reserve Bank (SARB) was a capture by a German shareholder of the Bank is the new orthodoxy of those who want to keep to the status quo in the ownership and control of the South African economy, particularly the financial sector.

The article "German tycoon eyes bank bonanza" in the Sunday Times (March 15) is meant to frame and discredit this ANC resolution as something that must be revised and reversed. It is part of a campaign.

What this campaign does not deal with is the fact that the Reserve Bank is a creature of the constitution. Its functions cannot reside outside of the state, just like the powers of the judiciary cannot be partially owned by the private sector. The actions of the Bank are in the name of the sovereign state and therefore the sovereign state must own the Bank 100%.

The ownership structure of the Bank must depend on the goals of economic policy as voted for and shaped by ANC supporters and members. The Bank cannot be an island in the political superstructure.

The article was also an attempt to close down the debate on central bank policy and financial sector transformation. Indeed, central bank policy has become an important object of policy debate, given the lack of transformation in the financial sector, where five banks continue to own over 90% of total financial sector assets without any transformation.

In a country like SA (with very high rates of unemployment and under-employment), central bank policy must promote productive investment and bridge the transformation divide — without suspicion of influence from private shareholders.

While cognisant of the constitutional mandate of the Bank to conduct monetary policy without fear or favour, the delegates of the 53rd and 54th conferences of the ANC were clear that the Bank is an important national asset and the anomaly of private ownership must be corrected. The delegates called for the Bank to deal independently with the regulation of the credit system, the regulation of the banks and the financial markets. The management of the flows of money into and out of our economy must be done purely by a state-owned institution, just as the courts are independent yet they are 100% state.

The delegates rejected the notion that, in seeking to correct the anomaly of ownership and broaden the mandate of the Reserve Bank, there is any impact on the independence of the Bank, as section 224 (2) of the constitution gives effect to such independence.

A state-owned Reserve Bank must be able to effectively mobilise and channel financial resources towards a variety of economic transformation objectives, to inject competition in the banking sector, better the credit conditions of the majority and improve the allocation of financial resources for development, through working with the Treasury.

The ANC conference delegates sought a central bank that should be made more accountable to the public by making it a 100% state institution.

Secondly, the delegates rejected the notion that monetary policy has no legitimate goals besides inflation targeting. Thirdly, they rejected as misguided the idea of assigning monetary policy-making to an authority that does not possess the same development motives as the development needs of the country.

The Reserve Bank should truly be an institution of the people and of the sovereign state, and respond to the fundamental circumstances found in SA, which are low levels of credit extension to emerging black businesses and the under-representation of black people in the financial sector.

One of the ways the country can rescue the economy from the state of stagnation it finds itself in is through expanding the mandate of the Reserve Bank. Currently, the primary mandate of the Bank is to achieve price stability. This is generally interpreted to mean stable and low inflation of between 3% to 6% in our case. In cases like Britain and the US, it is between 0% and 2%.

As delegates at the ANC Nasrec conference, we were clear that the Bank should have at least two primary mandates: price stability and growth/employment. What this means is that the Bank should be given a sustainable employment target over and above the inflation target. This is a global practice in countries such as the US and New Zealand. The resolution did not seek to alter the independence of the Bank, but rather nationalise its ownership.

We believed that having an employment target would prevent the economy from being in prolonged recession due to interest rates being high. An employment mandate would moderate the interestrate policy so that it is more sensitive, and explicitly so, to the pulse of the real economy.

It is a matter of historical fact that on September 9 2010 parliament amended the SARB Act. The amendment effectively reduced the shareholding of individuals and entities. In a subsequent challenge, the amendment was upheld by the courts.

There are 2-million shares issued to about 765 entities and individuals. The ceiling is 10,000 shares per person or entity based on the 2010 amendment. Shareholders receive only an annual dividend of R200,000.

It falls to the government to appoint an independent valuation specialists based on the SARB Act as it stands. This will help us with the balance of evidence.

The contention both from the media and within our ranks that suggests it will cost billions to nationalise the Bank has no basis in history or economic theory. What stops parliament from amending the SARB Act to effect nationalisation of the Bank without having to compensate private shareholders?

The so-called "German tycoon" and other foreign shareholders hold less than 10% of the Bank's total shares. The country needs to amend the act, and should not be held to ransom by the so-called German treaties that expire in 2034, or any other foreign shareholders who are earning a 10% return and have no voting rights.

As we move towards the ANC's national general council, we will once again add our voices as the ordinary membership of the party, guided by prevailing conditions.

The time to nationalise the Bank is now, given the recession and the critical state of unemployment. No amount of bullying tactics will scare us from pushing for the implementation of this critical resolution.