Stanley Mabuka

The South African Reserve Bank is currently seized with the overarching goal of price stabilisation, just like other central banks the world over, says Stanley Mabuka. At the same time, its private-ownership status is being challenged.

While it is imperative to change the mandate of the South African Reserve Bank, the existing facts do not warrant changing its ownership, especially in a crisis period. While it will be possible to change its ownership in the future, doing so in the midst of a crisis will erode confidence and prolong the recovery process. Additionally, a change of ownership at the moment may result in a loss of central-bank independence and an erosion of its credibility; and the costs of the liquidation of the existing private shares must also be taken into account.

Arguments in favour of a change of mandate for the Reserve Bank include little fear of inflation exceeding set targets while pursuing growth, shrinking fiscal space, monetary policy effectiveness, and a negative output gap which implies that the economy is operating below its full potential and may require sizeable policy adjustments.

To ensure full buy-in, improved guidance by the Reserve Bank is recommended, and demystifying the technicalities around changing the mandate (such as what it means and does not mean). Also, improved policy coordination between the Reserve Bank and the Treasury is recommended, in order to instil confidence.

BIO

University: University of Pretoria

Funding: Self

More about Stanley

Favourite subjects: Macroeconomics and Econometrics.

Interests: Fiscal and monetary policy research.

Inspired by: Chinese business magnate and philanthropist Jack Ma.

Main achievements: First runner-up in the 2018 ARSO research competition; top-tier student in first-semester Macroeconomics.

Community activity: Youth awareness campaigns and volunteering.

In 10 years' time … I see myself owning an economic-research company.