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The South African Reserve Bank and the telling of monetary stories

Elizabeth Cobbett

Stories about the new South Africa—its miraculous and peaceful transition to democracy, its macroeconomic stability, and its strong regional and continental diplomatic role—abound and serve to reinforce a master narrative of a transformed country rising from a violent past and now heading in the right direction. The hosting of the 2010 World Cup FIFA (Fédération Internationale de Football Association) is an example of this new South Africa: a successful African state hosting a major international event. Tito Mboweni, former governor of the South African Reserve Bank (SARB), said that preparations for the World Cup came at a time of strong economic growth (Mboweni, 2007). The persistent adherence to prudent macroeconomic policies by the authorities had resulted in the country's solid economic performance in recent years and strengthened its capacity to host the games. This rhetoric portrays South Africa as a new and active participant on the world stage, a status aided by the prudent and long-sighted actions of the SARB, which created a stable macro-economic environment. South Africa is an international success story and this achievement is linked to good economic policy.

This article contends that South African political economic leaders are in a struggle to put in place a master narrative of the economy, a supranational identification of common socio-economic problems and goals. The SARB has put forward a dominant narrative–the need to reintegrate the economy into a rapidly changing global financial environment after the long period of apartheid isolation (Van der Merwe, 1997). The last two decades have seen constant efforts by the SARB and by the African National Congress (ANC) government to bring the South African economy in line with global financial requirements. The Congress of South African Trade Unions (COSATU) publicly condemns the neoliberal choices that accompany this goal, claiming that these policies mount to "a capitalist onslaught on the working class" (Vavi, 2010b, para.7). For COSATU's general secretary, Zwelinzima Vavi, there is a pressing need "to give a concise class understanding of post apartheid South Africa and the nature of global capitalism" (Vavi 2010b, para.8). Vavi said that South Africa was in a crisis (Marrian, 2010). Price stability, carried out through the SARB's monetary policy, have to play a subordinate role to national developmental goals of creating jobs and eradicating poverty. If necessary, the government should tax the super rich and use these funds to meet these targets.

The SARB plays a critical role of communicating its macroeconomic policies to the general public and of undermining alternatives, such as COSATU's, that question their decisions. To do this, the Bank tells 'monetary stories.' Central banks are not usually associated with narrative storytelling, or with nation building; yet, recent research demonstrates that monetary policy is an outgrowth of a master narrative and produces, in turn, the context in which the economy takes place. In a continuation of the FIFA story, the SARB represents itself as a team, one amongst other national teams. In this case, the analogy is with sport: the reserve bank is a team, like the rugby, cricket, and football teams, who are all working towards the common goal of making South Africa strong and internationally relevant:

> We have a busy sporting year ahead of us, with the current cricket world cup games on the go, and the rugby World Cup finals just around the corner. In monetary policy decision making, we rely somewhat on our forecasts for inflation. My current central forecast is that both the cricket and rugby teams are going to do well this year... Allow me to wish Mr White and the Springboks all the best in their endeavours in the rugby World Cup finals in France. We are fully behind you and believe that you have what it takes to bring the cup home. You dare not disappoint the people of South Africa (Mboweni, 2007, p. 5).

Mboweni presents Jake White's role as coach of the rugby team and his own as governor of the Bank, as being similar: they both have to reach targets.

> One common aspect centres around the target that both of us have. For Mr White it is to win matches and tournaments, while in my case it is to ensure that inflation remains within the target range" (Mboweni, 2007, p. 1).

Mboweni uses the excitement of national sports and the feelings of patriotism associated with the successes of national teams to anchor the Bank's goals of inflation targeting.

> Of course, when the world cup finals begin in 2010 we will be keen spectators and supporters of Bafana Bafana [the South African national soccer team], but there is not much we can do to directly impact on the fortunes of the team. I will leave that in the capable hands of Mr Carlos Parreira and his team. We have to keep our eyes on a different ball and a different goal. Through this exciting growth phase that we are experiencing, monetary policy has to ensure that inflation is kept under control (Mboweni, 2007, p. 4).

Master narratives such as these are standard practice in the creation and maintenance of images of states as they promulgate frameworks through which people are led to make meanings of themselves, of their lives, of their identities, and of their social relationships. But these monetary stories by the central bank reflect a pressing need to engrain and settle these parameters into the national imagination of South Africa and what it means to be a citizen of this country. People are implicitly asked to let go of the former vision of a post-apartheid South Africa of social and economic justice that carried the ANC to power, and work and live within a revised economic agenda of free markets, global competition, and individual responsibilities.

COSATU claims that the SARB does not give a damn about what happens to the economy and job creation, and wants the SARB nationalised because it is an asset of our people and not of shareholders (COSATU, June 25, 2009). COSATU publically engages with the SARB and with the minister of finance about policy direction. When the 2010 national budget came out, COSATU said that it had expected monetary policy to be changed to target employment directly and primarily, as pointed out in the election manifesto of the ANC and in the various meetings of the [Tripartite] Alliance (Mail & Guardian, 2010). This is a political debate and this article looks at the *political* role of central banks in a world characterised by decentralised and deregulated finance. The case of South Africa demonstrates well a broader theoretical discussion on the role of central banking in the global financial system.

Literature indicates that central banks have changed their relationship with the general public over the last two decades (Blinder, Ehrmann, Fratzscher, De Haan, & Jansen, 2008; Davies & Green, 2010; Hall, 2008; Holmes, 2009). These institutions have adopted new communication techniques that seek to anchor macroeconomic goals within society. These changes need to be understood within the broader context of the current global financial order. This is the subject of the first section, which overviews the world financial system and the roles of governance played by credit rating agencies and by central banks. This is followed by analysis of the changes in structural power bought about as central banks are made institutionally independent from political pressure within their countries and freed to follow regulations elaborated by international financial institutions. Following this, focus is given to theory on central bank communication methods and how they 'perform' the economy through the telling of monetary stories. Of particular interest to this article are central bank narratives within countries undergoing extensive social, political, and economic transitions. South Africa experienced a transition to democracy, which put a black-majority government in place. Yet the decision by the South African political and economic elite to direct the economy towards global neoliberal goals radically alters the former vision of a developmental and redistributive state. The ongoing public debates about the choices open to South Africa are at the heart of this struggle to manage the national economy and instil a dominant narrative within the national imagination.

Decentralised and privatised global finance

In the last 150 years three international financial systems have existed: the gold standard, the Bretton Woods Agreement, and free-floating currencies with no set anchor for monetary value (Broz & Frieden, 2001). Financial systems consist of (i) exchange rate arrangements; (ii) capital flows; and (iii) a collection of institutions, rules, and conventions that govern their operations. Each system produces specific relations with domestic financial markets. The gold standard commanded monetary policies of devaluation when the currency exceeded its set value in gold; Bretton Woods permitted more embedded liberal welfare policies for western countries through international financial institutions, which simultaneously undermined these policies in postcolonial countries; and the shift towards decentralisation and deregulation in 1971 compelled domestic markets to adjust to the effects of mobile capital operating between multiple financial centres worldwide. These centres exert varying degrees of influence over the global production of and access to credit (Germain, 1997).This organisation is characterised by a lack of one nexus of control—even as we recognise the ongoing dominance of Wall Street—rendering the system more complex and requiring us to pay careful attention to institutional arrangements (Porter, 2005). Two constellations of power[1] have emerged as strategic institutional arrangements central to this global governance of finance: credit rating agencies and central banks. These constellations are key infrastructures in the performance of the economy.

1st Constellation of Power: Credit Rating Agencies

Credit and bond rating agencies such as Moody's, Standard & Poor's, and Fitch produce comparative readings of investment opportunities and risks which put value on corporate and public debt worldwide (Sinclair, 2005). Credit rating is a form of institutional financial coordination that promotes the interests of investors through the production of investment data. Rating agencies essentially give value to both public and private debt by making judgements about the risk and the opportunities involved in various investment destinies. Like central banks, rating agencies are a centralising force as they act as a crucial nerve centre in the world financial order, "a nexus of neoliberal control that is exercised through emitting judgements about the economic performance of states and corporations" (Sinclair, 2005, p. 68).

Credit ratings are not imposed on governments but governments seek them as means of attracting capital and of assuring

1 Taken from Timothy J. Sinclair's book, *The New Masters of Capital* (2005).

financial investors that their money is safe in the country (Sinclair, 2005, p. 10). The South African government invites foreign investors to this 'dream of a business destination,' which combines their ideals: the stability of a developed nation, the opportunity of a vibrant emerging market and a climate that fosters growth. "It's time, [the government reminds investors], to take a closer look at South Africa" (South Africa Info, 2010, para.1). Trevor Manuel, former minister of finance, states that in South Africa "we've taken some very tough decisions to provide a climate for certainty. The Constitution, the legal framework, the macroeconomic framework, all add up to certainty and predictability. South Africa has created a climate that investors need" (South Africa Info, 2010). These 'very tough decisions' resonate well with rating agencies; Standard & Poor's set South Africa's long term rating at BBB+ and foreign currency issue rating at A+ (South Africa Info, 2009). The National Treasury points out that "the affirmation of South Africa's rating reflects confidence in our credit position and future policy direction, thanks in large part to a record of prudent execution of macroeconomic policies" (South Africa Info, 2009, para. 3). The country's financial systems are presented as being sophisticated and supported by robust banking regulations that rank among the top 10 globally (South Africa Info, 2008).

These ratings reflect investor opinion on national policies as is made clear in the following excerpt from Moody's November 2009 reading of South Africa:

> There is also increased risk that easier fiscal policy, with emphasis on the social safety net, will become entrenched due to the greater influence of the labor unions in government. Moreover, the growing impatience of the population for the government to deliver on promises of improved social services and housing, jobs, and better education, among other demands, could make it difficult to rein in spending increases as currently envisioned over the medium to long term (Cailleteau, Lindow, & Orchard, personal communication, April 15, 2010).

Social and political disturbances or unrest play against favourable credit ratings but they are offset by the state's stable management of the macroeconomic environment through central bank management. Moody's goes on to say that:

> The economy's growth potential is likely to shrink in a less supportive global environment...this would mean that pressure from within the government alliance for unaffordable and distortive fiscal and monetary policies will need to be resisted, despite frustration with the slow pace of progress on the jobs front (Cailleteau, Lindow, & Orchard, personal communication, April 15, 2010).

Here we clearly see Moody's argument against any accommodation by the ANC of left-wing members of the government's Tripartite Alliance:[2] the South African Communist Party (SACP) and the Congress of South African Trade Unions (COSATU). The relevance of looking at credit rating agencies when studying central bank action resides in understanding the degree to which banks need to obtain good ratings from the agencies for national and subnational debts. Agencies give good ratings when the monetary policies put in place by central banks reduce risk for foreign investors and when the political climate is stable, that is, when it will not threaten the rates of profit or the possibility of withdrawing money from the country once the investment is over. Central banks therefore undertake to influence and direct markets and public behaviour in line with these rating agencies' standards and goals.

2 When political organizations were unbanned by the apartheid government in 1990, the African National Congress, South African Communist Party and COSATU agreed to work together as a Revolutionary Alliance (Tripartite Alliance). The 6th National Congress (of COSATU in 1997) resolved that the Alliance remains the only vehicle capable of bringing about fundamental transformation in South Africa (COSATU, 2009).

2nd Constellation of Power: Central Banks

A network of central banks links populations, states, national economies, and global financial arrangements within a transnational regime of financial governance. The ultimate objective of central banks has always been monetary and financial stability (White, 2005). This stability is assured through regulatory standards that are internationally negotiated and domestically applied. This goal has become more difficult to achieve as global capital moves freely across borders. The paradox is that the decentralised and deregulated global financial system depends increasingly on the regulated and centralised domestic control of central banks. National economies are stabilised through monetary policy and act as an anchor of value for global capital.

The power of central banks to implement their vision through national policies resides in historic relations of collaboration and coordination between central banks, dating from around 1930 when the Bank of International Settlements (BIS) was founded. The BIS is the world's oldest international financial institution and remains the principal locus for central bank cooperation and governance. Helleiner (1994) identifies this cooperation as a movement towards what Peter Haas (1992) calls an *epistemic community*, or networks of knowledge-based experts. Haas notes that epistemic communities play a key role in articulating complex problems and in helping states identify their interests, frame public debates, and put forward specific policy solutions. Importantly, epistemic communities have their own vision of reality built through a historic consent on how the world works.

This knowledge-based network, known as the Basel Community (White, 2005), has developed a vision of 'correct' beliefs through iteration of beliefs, practice, and experience. This vision is strengthened through the common education received by central bank governors and senior members of the banks. Interbank cooperation is fostered through the hundreds of meetings that take place every year involving central bank governors and specialists (communication experts, auditors, security experts, economists, etc.). This has resulted in convergence to a mutually accepted interpretation of the world and identification of the most appropriate solutions to financial problems. It is this shared understanding of reality that shores up the current global financial order.

Central banks therefore 'belong' both to their individual countries, where they are at the centre of national monetary and fiscal control, and to this international community of central bankers, which promotes and supports the implementation of their shared vision of the global political economy. The BIS secretariat explains it as follows: the central bank, an organisation with a public mandate, belongs to the government in a broad sense—as do the legislative, executive, and judicial branches—and acts in interplay with other governmental bodies within a country's governance structure (Oritani, 2010). Yet, central bank independence from government and political pressure is now considered a requisite element of global financial architecture. Central banks and governments clearly recognise their interdependence in the national arenas but these patterns of coordination between central banks and governments have changed with the demise of the Bretton Woods financial order. The fiat money system that succeeded the breakdown of Bretton Woods saw wide-reaching institutional reforms as central banks moved to assure financial stability worldwide and price stability domestically. Central bank independence was prompted by previous failures of anti-inflation policies and a belief that independence from political pressure would help secure lower inflation in the future (Crowe & Meade, 2007). The belief is that bank independence reduces the possibility of policy swings that can arise when monetary policies are determined by political parties representing special interests (Oritani, 2010, p. 41).

The 1990s saw a wave of new legislation securing this legislative independence in new banking acts and revised constitutions. The Maastricht Treaty and the creation of the European Union clearly set out the legal independence of the new European Central Bank (ECB) and its members, the central banks of Europe. This independence from direct political pressure is guaranteed by Article 107 of the Treaty, which reads that "no member of the ECB shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body" (European Union, 1992, p. 17). This wave of legal changes in central banking has been particularly noted in developing and emerging market economies (Crowe & Meade, 2007). Countries of the former Soviet Union, for example, saw their constitutional laws rewritten and a new independence given to their central banks. African countries have generally moved to more market-based financial systems with greater autonomy and accountability applying to central banks (Mboweni, 2004). The transition to a post-apartheid state and the rewriting of the South African Constitution were perfect opportunities to grant the SARB legal independence. Subsection 224 (2) of the South African Constitution states that "the South African Reserve Bank, in pursuit of its primary object, must perform its functions independently and without fear, favour or prejudice..." (Constitution of the Republic of South Africa, 1996, p. 1331 [28]). The SARB's monetary policy committee (MPC) clarifies that it makes monetary policy decisions independently of its shareholders and the government. Constituted by the executive directors (the governor and the three deputy governors) and the professional members of the SARB, the MPC has the mandate to elaborate and implement the monetary policy framework for the country. Although the Reserve Bank has complete instrumental independence, Mboweni adds that it is of course accountable to the citizens of South Africa (Mboweni, 2004). Accountability is indeed a key issue. The Constitution stipulates that the Reserve Bank must be in regular consultation with the cabinet member responsible for national financial matters (Constitution of the Republic of South Africa, 1996, p. 1331[28]). Apart from this condition of regular meetings with the minister of finance, there is little legal provision to make the Bank responsive to political demands and citizen discontent about economic policy. The Constitution acts, rather, as a shield that protects the committee from 'external' pressure.

Discourses of power: Central banks as narrators

Literature indicates that central banks have changed their relationships with financial markets and the general public over the last two decades through the development and use of new communication techniques (Blinder et al., 2008; Hall, 2008; Holmes, 2009). Before the 1990s, central banks were shrouded in mystery—it was believed that they should be—and decisions were made behind closed doors (Blinder et al., 2008). Blinder et al. (2008, p. 25) point out that central banks are now making their decisions known, widely available, and transparent in the belief that if their actions are more predictable to markets, markets will react in expected ways to monetary policy. This communication can be understood broadly as the provision of information by the central bank to the public regarding such matters as the objectives of monetary policy, the monetary policy strategy, the economic outlook, and the outlook for future policy decisions (p. 10). For example, the making public of the minutes from a central bank's monetary policy committee meetings along with the release of a central bank's inflation reports appear to move financial markets significantly in the direction desired by the banks (p. 34). Communication strategies are considered essential elements, for instance, in anchoring the long-run inflation levels by announcing a numerical inflation target and making it widely known to the general public. The markets and the public integrate this information and adapt their behaviour in reaction to anticipated changes, thereby enacting the desired result. These changes have been referred to as a communication revolution and are powerful components of every central bank's toolkit.

Blinder et al. (2008, p. 5) point out that no consensus has emerged on what communication policies constitute best practice for central banks. Practices, in fact, differ substantially and are evolving continuously according to state histories, practices, and internal logics. This echoes current literature on the state (Hansen & Stepputat, 2001), which points out that while there are commonalities in state, governance, and the language of 'stateness', no institution, policy paper, or universalised regime is 'the same' everywhere. Keeping in mind this caveat, it remains possible to identify common analytical frameworks within which emerging central banking practices are embedded. Using the analytical framework of cultural anthropology, Douglas Holmes (2009, p. 383) builds on Blinder et al.'s observations of central bank communication by linking them to John Maynard Keynes. According to Holmes, Keynes identified the power of central banks in his *A Tract on Monetary Reform* (Keynes, 1923). Keynes saw these financial institutions as possessing great regulatory power, pacing the activity in the economy as a whole, as virtually all transactions are in one way or another contingent on financial mediation (Holmes, 2009, p. 388). This power is subject to intense public scrutiny and to very little formal accountability (p. 387). The challenge, Keynes identified, was to tame the 'animal spirits' of economic actors when they act with little regard for monetary authorities or not in the interest of the larger group. Expectations needed to be disciplined with persuasive narratives and Keynes was concerned with developing a language for money and monetary policy (p. 390). The goal was to find a language that could make economic phenomena into meaningful public discourse and thereby, into instruments of intervention (p. 391).

Working within Keynes' intellectual tradition, Holmes applies Michel Callon's (2007) insights on performative theory—that economic theory is the means for creating economic phenomena and regulating economic behaviour rather than being merely the tools for representing or analysing them—to Blinder et al.'s research on central bank communication strategies. Callon's performative thesis argues that words perform the decisive function of creating countless contexts that frame data series, statistical measures, and econometric projections. Economic theory is therefore the means for creating economic phenomena and regulating economic behaviour rather than a simple tool for representing the economy as object. Building on this theory, Holmes introduces the notion of an *"economy of words"* as the means and medium through which this kind of creative labour is articulated and enacted (2009, p. 384; italics added).

An *economy of words* is the process by which central banks linguistically model economic phenomena operating at the limits of calculation and measurement. In other words, central banks name and render observable economic phenomena that are largely outside of common knowledge and thus, make known complex economic phenomena through simplified economic parameters. Well known symbols, such as interest rates and inflation targets, act as parameters for general social behaviour while a wider range of more complex monetary and financial tools create the broader context for the operations of financial markets. The underlying principle is that successful monetary policy is not so much a matter of control of monetary tools, such as overnight interest rates, but rather about managing expectations and future action through communication. Towards the end of the last century, central bankers came to adopt an experimental ethos of communication performed in situ (Holmes, 2009, p. 386). Initiated by the Reserve Bank of New Zealand, central banks worked out the means for modelling linguistically and communicatively economic phenomena (p. 411). Narratives, or monetary stories, informed by a continuous stream of data and analyses, articulated in a measured and consistent fashion, became the modus operandi for central banks (p. 385). This practice represents the most decisive and convincing demonstration of Callon's performative theory (p. 383). Words create the economy simultaneously as a communicative field and as an empirical fact. What does the central bank's communication achieve? Holmes claims that the answer is both simple and profound (p. 403). The public's expectations will cleave over time to monetary policy targets, such as permissible levels of inflation, which are integrated in their future behaviour. People, in other words, will adapt their expectations and actions to fit into the parameters set out by the central bank, such as proposed changes in the rate of interest.

Monetary storytelling is occurring actively in contemporary South Africa. As a frequent visitor to South Africa over the last few years, I am constantly surprised by the weighty and constant presence of the central bank in the media. The central bank is a very eloquent, visible, and particularly powerful actor in public debates and is foremost in the creation and maintenance of the country's macroeconomic narrative. My impression is that the Reserve Bank's governor has as much, if not more, influence than the governing party.

South Africa

The historical trajectory of South Africa's political economy has been largely determined by its role as world gold producer and its place within the British Empire. The South African Reserve Bank has been closely tied to the western international financial system for nearly one hundred years. This was so even during the years of apartheid when the country became member of the Bank of International Settlements in 1971 and the central bank financed the apartheid government's debt on foreign markets. The establishment of the South African central bank needs to be understood within this broader context of historic global financial ties.

A hundred years ago, domestic monetary policy was shaped by imperial banks operating in South Africa under the directions of the Bank of England (Ally, 1994). This gradually changed as Britain found it increasingly difficult to compete with the other leading European industrial countries and the United States' rising financial power during the inter-war period of 1919 to 1939. Britain's monopolistic relationship with gold producers in South Africa had been central to maintaining its former position at the centre of the global financial system. But Jan Smuts, prime minister of the Union of South Africa, had come under criticism from Nationalists for allowing imperial Britain's interests to override South Africa's independence, especially in regards to local currency requirements, dependent on overseas production in England (p. 76). At the same time, the Chamber of Mines pushed to have more control over the gold refinery process and wanted to install a refinery within South Africa instead of shipping all its unprocessed metal to London where it fell under the control of the Bank of England. The Chamber of Mines argued that a local refinery would lead to important savings for the industry and to greater control as to whom to sell the gold to. Of interest to the Chamber was the interest shown by the United States of America who saw an advantage in breaking the British monopoly and dealing directly with South African gold suppliers. Political opposition in South Africa against the country's subordination to Britain's imperial interests finally created enough leverage to establish two key national institutions: a gold refinery and a national mint (p. 84). These moves to independence were facilitated by the challenging economic context facing post-war Britain and its limited resources in managing these crises.

Calls for a South African central bank were buttressed in the aftermath of the First World War when the British government unpegged its currency to the US dollar by coming off the gold standard and letting the British pound float. As the South African pound was linked to the sterling, it was also devalued against the dollar, plunging the country into recession. Merit was seen in breaking with the British sterling and establishing new banking norms and a state bank within the country. While this goal was at the fore of nationalist sentiment, the creation of a South African central bank was actually made possible by the Bank of England's decision to encourage the spread of central banks worldwide (Ally, 1994, p. 88). This decision built on a political economic re-evaluation of Britain's relative global strength and its place and power within the changing economic and financial world context. Britain's informal financial system, developed under its global dominance, had shrunk as it faced the economic consequences of the war and increasing rivalry from New York as financial centre (p. 89). The Bank of England saw the establishment of national central banks as a means of pursuing its influence over global finance. It reasoned that in the changed environment a more formal international monetary system would separate national political pressures and governments' interests from financial control and monetary stability, and help secure direct British influence through a worldwide banking system. Britain had consistently endeavoured to separate the interests of the mining industry from that of the Union government, wishing to secure its privileged relationship to gold producers (p. 81). The national 1919 Gold Conference of mining companies (which met to address the problems encountered with the marketing of South Africa's gold production) pinpointed the need to introduce a uniform bank act that could protect against the inflation of the currency, maintain the price of gold, and offer greater degree of national power (p. 90). A Select Committee of Parliament followed on the Gold Conference's recommendation to establish a central bank.

Jan Smuts invited Henry Strakosch, managing director of the Union Corporation—a holding company with extensive foreign investments in South African gold mines—to the country for consultation and advice on improving the national banking system (Ally, 1994, p. 87). Strakosch, in collaboration with the Union Corporation's treasury, drafted the original Bill of the Currency and Banking Act of 1920, ensuring that management of the future reserve bank would not be under government control; rather he proposed setting up a central bank with private funds obtained through shareholders (p. 90). The independence of the central bank from the governing party was unusual at the time of its establishment; it is more in line with current global reforms that separate democratically-elected representatives from monetary control. The South African Reserve Bank opened its doors for business for the first time on 30 June 1921. The Bank was a paradoxical mix of British imperial interests with nationalist goals of greater independence from British rule and the identification of the need of a central bank under the control of local government.

This mix of powerful mining companies, international finance, and the central bank continue to shape the political economy of the country. Habib and Padayachee (2000) note that the 1989 Bank Act renewed historic alliances between the state and powerful business as the state prepared for its transition to liberal democracy. A group of powerful conglomerates involved in mining, finance, and energy worked to ensure that the new black-majority government would create a macroeconomic context that would facilitate the globalisation of their activities (p. 260). A pivotal aspect of this move to secure the desired macroeconomic context was to grant greater autonomy to the SARB (p. 248). Enshrined in the 1996 Constitution, the political economic structure witnessed a return to the original vision of independent global financial power within the domestic economy. This arrangement between the SARB, the government and the business elite underpins the political economy of contemporary South Africa.

Monetary stories in the New South Africa

Sixteen years after the first democratic elections there has been little change in the overall level of income inequality. South Africa has overtaken Brazil as the world's most unequal country as its Gini coefficient index—which shows the level of income inequality—increases to 0.679 (Craven, 2009). In spite of this dismal record, the SARB continues to move the country towards full compliance with the global neoliberal regime of deregulated finance. This means working to orientate human expectations and actions towards the desired neoliberal macroeconomic goals of privatised public services, greater individual responsibility for human welfare, and new opportunities for financial investment. While the ANC is fully supportive of this orientation, social groups and trade unions are voicing their opposition. Social movements are holding the government to its former electoral promises of social and economic redress for the poor majority. This tension is manifest within the Tripartite Alliance government where COSATU publicly opposes the central bank's conservative monetary policies.[3]

The following excerpts from an article in the *Mail & Guardian* newspaper, published February 2010 (Mapenzauswa, 2010), make evident this public debate over monetary policy, poverty, and economic growth between COSATU, on the one hand, and

3 This tension extends equally to the South African Communist Party (SACP) who criticizes some of the ANC's policies as anti-poor; however the focus here is on COSATU who engages publicly and regularly with the ANC executive and the SARB on issues of monetary policy.

the SARB and Minster of Finance Pravin Gordhan, on the other hand:

> The ANC's labour union and communist allies want an overhaul of monetary policy, saying the central bank has pursued its inflation targeting mandate blindly at the expense of economic growth. (2010, para. 4).
>
> Unions have proposed that the 3% to 6% target for consumer inflation be scrapped or widened, or that the central bank's mandate to be broadened to take into account economic growth and job creation (2010, para. 6).
>
> I wish to confirm that the Reserve Bank will continue to pursue a target for CPI inflation of 3% to 6%, Gordhan [the minister of finance] said (2010, para. 7).
>
> Ongoing assessment, discussion and commentary about our monetary policy by analysts, interested members of the public, interest groups and the broader research community is constructive for the emergence of a social consensus in this area over the longer-term, he [Gordhan] said (2010, para. 9).
>
> In apparent reference to calls [by COSATU] to nationalise the central bank, Gordhan reiterated that South Africa's Constitution stipulated the institution should pursue its mandate independently and without fear, favour or prejudice (2010, para. 10).
>
> The role of the Reserve Bank in maintaining financial stability would also be enhanced, Gordhan said. He warned that South Africa's present inflation levels were higher than those of its trading partners, lowering its competitiveness (2010, para. 14).

The SARB has the task of grounding its economic narrative in a country undergoing significant social and political transformations and upheavals. In contrast to well established liberal market democracies where the distribution of power within the political economic structure is largely accepted by the population, the SARB needs to make sure that its narrative is seen as unquestionable, as the undisputed truth, regardless of deepening tensions between private financial interests, on the one hand, and escalating poverty and pockets of exclusion, on the other.

When the new governor of the central bank, Gill Marcus, took up her functions in November 2009, Pravin Gordhan sent her a letter in which he reiterated that credible monetary policy holds a central place in South Africa as it endeavours to attract foreign investment and stimulate growth (Gordhan, 2010, p. 2). In this letter, he emphasised that communication with the public needed to be improved so as to increase the effectiveness of the central bank in achieving its mandate of low inflation and greater economic growth. This letter is an effective media communication that confirms the direction of the SARB in line with the broader global financial regime and the ideological links between the ANC and the SARB as the change in the governor of the central bank was carried out. The letter aimed at reassuring financial markets that the transition to the new governor of the central bank would not interrupt the same conservative monetary policies in place since the ANC came to power. It was also a message to social actors, such as labour unions and grassroots activists, that there would be no change in monetary policy and no question of nationalising the central bank. COSATU National Spokesperson Patrick Craven asks:

> The Freedom Charter called for the people to share in the country's wealth. How can we achieve that when the country's most important financial institution is not under any democratic control by, or accountability to, the people (Craven, 2010, para. 4).

This idea was qualified as "nuts" by Governor Marcus (South African Press Association, 2010, para. 1). These calls to nationalise the SARB have been accompanied by simultaneous demands by private shareholders of the Bank to obtain a market value for their shares in the event of nationalisation. The present 2010

South African Reserve Bank Amendment Bill aims to confront both challenges to the SARB's independence.[4]

These debates are examples of frequent ideological confrontations in the public arena between left-wing members—the SACP and COSATU of the Tripartite Alliance Government—and the minister of finance, and the SARB. What the Reserve Bank and the ANC national government are endeavouring is to effectively sideline calls from the left-wing members for nationalisation of the central bank, for an easing in monetary policy towards lower rates of interest, for less Bank preoccupation with the inflation target of three to six percent, and for greater emphasis on expansionary macroeconomic policies and job creation. Yet ANC support of the central bank's economic policies appears to stand in direct contradiction to declarations made by President Jacob Zuma:

> The ANC, a disciplined force of the left, accepted the electoral mandate which came primarily from the workers and the poor, with a commitment to take further the struggle for a better life for all. The ANC must now use its victory and control of State power to improve the quality of life of the poor and marginalised (Zuma, 2009, para. 10-11).

There is a division in the economic discourse used by the Minister of Finance and the SARB, on the one hand, and the revolutionary rhetoric of the ANC executive, on the other. This can be explained by a desire to maintain the image of social and economic justice being performed through the president and his office. The president brings together the nation; he is the concerned father that listens to all the problems. Debates are thus carried out between the central bank, the finance minister, and the members of the Tripartite Alliance, leaving the president aside.

These mediatised debates are a double edged sword; I believe that they actually help anchor the central bank's goals in import-

4 The Bill aims to stop shareholders from circumventing the current act's limitation on shares per shareholder to 10 000 and to define clear criteria for the disqualification of persons from serving on the board of the Reserve Bank.

ant ways. COSATU and the SACP are historic and powerful social bodies that act as social and political media rods for the SARB's narrative. Being called upon by these actors to justify its monetary policies, the SARB is brought into the public realm and the rather obscure institution is made known and 'real' through exchange with these well known social actors. By engaging with them, the central bank becomes more visible to the wider public and its *economy of words* is disseminated. What's more, these debates permit the SARB to establish more direct and influential links with the country's citizens as COSATU and SACP directly inform their members—workers, social groups, and activists—of the Reserve Bank, its role, and its economic goals. Holmes' (2009) work on the Reserve Bank of New Zealand points to these innovations used by central banks for securing the implementation of monetary policy. His hypothesis is that central bank communications *are* the instruments of policy themselves, *they* make the economy. In this sense, South Africa's central bank is creating the context, or the dominant narrative, of the national economy through ongoing debates with COSATU. The current political economic power structures ensure that there is no real threat to the SARB's independence—neither to its vision nor to its power to implement policies. This explains the willingness with which it engages in these public dialogues. In so doing, its vision is actually embedded within the public realm and validated. The dialogues, in other words, create this particular *economy of words*.

The SARB uses special occasions for storytelling that permit it to tie its policies to powerful national symbols. In a remarkable speech given in 2009 at the Annual Steve Biko Memorial Lecture, Mboweni, then governor of the South African Reserve Bank, stated:

> To break a bit with tradition, the thrust of my address tonight will be on economic issues. In particular, I will share a few observations and thoughts on selected macroeconomic developments in South Africa in

> the past 15 years. From 9 November 2009 I will no longer be allowed to comment on monetary policy. As the outgoing governor, however, I will take advantage of this platform to remind you of a few truths, one being that no central bank worth its salt can ever tolerate high inflation. Price stability may not be a sufficient condition but I maintain that it is a necessary condition for a solid foundation for sustainable growth and prosperity (Mboweni, 2009, p. 2).
>
> I would like to believe that Steve Biko would have been gratified by the fairly contained pace of inflation over the past 15 years, knowing the dire consequences of inflation for the poor—those who are usually least able to hedge against inflation—in particular. Since 1994 average headline inflation has amounted to approximately 6.5 per cent per annum. Over the preceding 15 years, 1979 to 1994, it had averaged almost 14 per cent per annum. Inflation has been uneven over the period, though, induced typically by significant changes in key exogenous drivers of inflation, such as oil prices (p. 3).
>
> Secondly, the recent upsurge in strike action has led to some commentators describing the wave as a "winter of discontent". In this regard, I would like to comment on some worrying trends in the settlements reached. Wage settlements above the projected rate of inflation and in excess of productivity gains tend to undermine the fight against high inflation. They lead to labour cost increases way above those of trade competitors and, therefore, loss of competitiveness (p. 3)

It is astonishing that the central bank is invited to address the public at this particular event. The fact that the SARB is there speaks in all probability to its desire to make these kinds of links between its policies and national symbols. Mboweni's discourse itself is striking for several reasons. Firstly, it clearly demonstrates the way the central bank produces a narrative of the economy using influential national images linked to the history of South Africa and its struggle against apartheid. To link Biko, known for his elaboration of a pro-black radical doctrine and his death at the hands of state interrogators, to inflation targeting seems to be a wild attempt to validate divisive economic policies with a man who would almost certainly have contested these very policies. COSATU's position on the SARB's conservative monetary policy framework is more indicative of a position that Biko would have likely taken, that of focusing on the developmental needs of the country where the unemployment rate and inequality gap are amongst the highest in the world (Dlamini, 2010). Yet, the central bank attempts to authenticate its controversial monetary policy by making this powerful historic personage speak in its favour.

Secondly, this reference to Biko transforms the failure of state development in terms of poverty reduction and service provision into a narrative of policy success and state accomplishment. The central bank congratulates itself for having obtained better macroeconomic goals than those achieved under the previous apartheid administration. Since 1994 average headline inflation has amounted to approximately 6.5 percent per annum. Over the preceding 15 years, 1979 to 1994, inflation had averaged almost 14 per cent per annum (Mboweni, 2009). The SARB uses the dimension of time—before the transition of 1994 and the current post-apartheid period—to shed a favourable light on its current performance. It portrays the current South Africa state as putting good governance practices in place and respecting its macroeconomic engagements, in a much better way than had done the apartheid state. This is ironic because the Reserve Bank was an integral part of the South African apartheid state's political economic structure. But by using this difference in time, it differentiates itself from the apartheid past, showing that the country has turned a new economic page with satisfactory results.

Thirdly, Biko's well known line, 'that the most potent weapon in the hands of the oppressor is the mind of the oppressed', (Biko & Stubbs, 1978) resonates strangely with the central bank's desire to direct human economic action through communication. Biko's link between the ideational and material life takes on a new twist as the governor calls upon Biko's persona to validate the Reserve Bank's macroeconomic policies. The man who is being called upon to speak on behalf of contested policies is the very person who spoke about the need for the oppressed to free their minds from political manipulation. In other words, Biko is being used to authenticate monetary policies that depend on reflexive subjects. Central banks recognise that the ideational—influencing and directing people's ideas and expectations about their socio-economic lives—will create the desired national economy through managing human expectations and their action.

Conclusion

The SARB and the ANC executive have a vision of South Africa as a full member of the deregulated and decentralized global financial order. These political economic leaders are putting in place a master narrative of the economy; a supranational identification of the country as an economic power participating in a globalised world. There is social tension as the visions associated with the overthrow of colonial power and the election of the first black-majority government are put aside by the state to ensure compliance with the interests of capital and the global financial system. People are implicitly asked to let go of the former vision of a post-apartheid South Africa of social and economic justice and to work and live within a revised economic agenda of free markets, global competition, and liberal freedoms and individual responsibilities. This direction undermines the former vision of social and economic justice that accompanied the ANC to power. Social groups contest this route. In particular, COSATU challenges the central bank on its monetary policies and calls the ANC executive to respect its former commitments of improving lives through shared wealth and social justice. The national strike of public workers, carried out by COSATU just a month before the ANC's national general council (NGC) in 2010, is an indication of the deepening rift within the government Tripartite Alliance. The strike demonstrates the state's difficulty in outlaying a more unified vision of the political economy of the country. COSATU is calling for a wage increase for the public sector workers and the SARB responds that wage increases in the public sector are inflationary (Donnelly, 2010). This tension has not been resolved and South Africa is at a defining moment in this struggle for a master narrative of the national economy and, consequently, of society.

The challenge facing the SARB is the struggle to *settle* the revised economic orientation away from one of redistribution to one based on neoliberal principles. In other words, the SARB needs to get South Africans on board as it moves the national economy and the human action that makes it, towards global financial and economic norms and standards. This challenge is met, amongst other methods, through the role that the SARB has adopted in defining the parameters of acceptable economic action within the country. These socio-economic boundaries are drawn by using and adapting new communication techniques developed by central banks over the last two decades. Words create the economy as a communicative field and as an empirical fact (Holmes, 2009). In this context, the language of macroeconomic fundamentals adopted by the SARB and the ANC government is presented as the defining order of permissible economic and social action for people living in South Africa. Monetary storytelling reinforces the message that the SARB's policies are part of the country—what being South African is all about—and, therefore, the definitive bench mark for economic choices. The SARB reinforces these stories by linking them to powerful national symbols such as sport and historic figures of apartheid resistance. In this context, the question is how will the SARB make sure that domestic inflation is maintained within the target range of three to six percent and that foreign investors are not scared off by political unrest. The 'political unrest' also draws on the FIFA success to point out that "The World Cup has demonstrated to the working class and the poor that indeed the state has the fiscal muscle to spend on developmental projects. We have seen what is possible with unity and decisive leadership. When we demand better education, healthcare, jobs and housing we will now have the World Cup experience as a reference point" (Vavi, 2010a).

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