

Statement by Mr Mboweni at his inauguration as new Governor of the Reserve Bank of South Africa

Statement by Mr Tito Mboweni on the occasion of the retirement of Governor Chris Stals as Governor of the South African Reserve Bank and his inauguration as new Governor, held in Midrand on 7 August 1999.

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Esteemed guests

Ladies and gentlemen,

It is a privilege and an honour to have you all here as guests of the South African Reserve Bank as we say goodbye to Dr Chris Stals, who was Governor of the Reserve Bank for ten years, and as we also mark the start of my term as Governor. I am particularly pleased that all of you people with busy schedules have come from near and far to be with us on this occasion.

A special note of thanks to the President of the Republic, Professor Stanley Fischer from the International Monetary Fund, Mr Bill McDonough, President of the Federal Reserve Bank of New York, Mr Urban Bäckström, Governor of the Central Bank of Sweden and also President of the Bank for International Settlements, Mr Adriano Maleiane, Governor of the Bank of Mozambique and other central bank governors who are here tonight. Thank you to those of you who battled to rearrange your diaries to be with us tonight. Thank you once again.

Tonight we say farewell to Dr Chris Stals, with whom I have worked closely over the past year but whom I have known since 1988. I have come to know Dr Stals as a committed central banker of international stature, a truly new Voortrekker who did not shy away from contributing his best to the new South Africa. Thank you, Dr Stals, for your lasting contribution and for showing such commitment during this smooth transition.

We are also bidding a fond farewell to Dr Chris de Swardt, an Afrikaner gentleman par excellence who was Deputy Governor, and whose career at the Bank also spanned some 44 years. This man is an example of how one should relate to and treat other human beings. Although our association was brief, I will treasure our association for a long time to come.

We wish both of you well in your retirement.

It is a most interesting and demanding time to be Governor of the South African Reserve Bank. It is a time when the costs and benefits of globalisation are under scrutiny, not just by policymakers, but also by ordinary citizens.

Emerging markets globally have experienced financial turmoil which plunged many into deep recession. South Africa, though resilient, has not emerged from this turmoil unscathed. At only 0.5%, the rate of growth in gross domestic product last year fell woefully short of the levels needed in a country where poverty and joblessness remain widespread and where tackling these issues remain priorities for all of us.

Against this background, it is hardly surprising that people sometimes hope that the Reserve Bank will take action to stimulate economic growth by printing money. Some people think that, as a former Cabinet Minister, my appointment heralds the start of a cheap money era in the Bank. I must say it here, loud and clear, they are wrong.

Our view has been, and will continue to be, that it is not our role to provide an artificial stimulus for the economy. The role of the Bank is to create a climate of financial stability in which sustainable economic growth and wealth creation can be achieved; an environment in which an economic boom will not be followed by an inevitable bust.

We are not Icarus; there is no need to fear that we will fly too close to the sun.

Tonight is not the appropriate occasion to spell out our detailed approach to monetary policy or its role in the South African economy. However, we are not going to try to rewrite the monetary policy textbooks or reinvent the wheel. The principles of sound and prudent central banking are the same the world over and will not be fundamentally changed by any central bank governor, no matter how energetic or enthusiastic, let alone how young.

The details of our approach will be spelt out in the Governor's Address at the Annual General Meeting of the Bank on the 24th of August. However, whatever we say then will be in accordance with the principles of sound and prudent monetary policy frameworks that have been tested in a global context.

Central banks follow different approaches to their monetary policy frameworks. Some central banks have adopted currency boards to fix their exchange rates, while others follow exchange rate targeting or inflation targeting. We will design our approach bearing in mind our particular experiences and history, as well as taking into account international best practice which has delivered financial stability and acceptable levels of inflation.

South Africa has been exposed to the recent turmoil in financial markets but has emerged, whilst a little bruised, both stronger and wiser. We, like other countries, have learnt important lessons and will put our experience to good use.

We know that if we want to benefit from globalisation in the form of sustained foreign capital inflows, we should constantly think of ourselves as citizens of the global village. The strength of the United States economy and trends in financial markets in New York, London, Tokyo and elsewhere will be significant factors in influencing whether or not South Africa realises its economic potential. But we must not underestimate our own responsibility as South Africans to develop our own potential and to run our economy responsibly and efficiently.

As citizens of the global village, we must continue to participate actively in the debate on improving the international financial architecture in the hope that a way can be found to minimise the intensity of financial shocks to emerging and developed markets alike.

After a long, stimulating and challenging year which I have spent navigating the transition from Cabinet Minister to central banker and getting to know my colleagues in South Africa and other parts of the world, I am looking forward to starting officially next week with enthusiasm and confidence, inspired in no small part by many of you present here tonight. We are fortunate that the South African Reserve Bank is staffed by well qualified, committed and loyal people.

To the President, the members of the Board of Directors of the Bank, my colleagues the Deputy Governors, management and staff, and esteemed guests: sweswi hi ngene eka nkari wa mahlambandlopfu (we are now entering the time of the day when the elephants go washing; that is, the crack of dawn).