

AFRICAN CHRISTIAN DEMOCRATIC PARTY (ACDP)

Submission on the Central Bank

19 February 1996

Introduction

Karl Marx knew that the family (the core building block of society), property and liberty were bound together. In *The Communist Manifesto*, Marx advocated compulsory education in tax supported schools. He called for centralised banking, a graduated income tax and inheritance taxes.

Marx knew that putting enough economic squeeze on the family would ultimately destroy it. Destroying the family is again vital for the breaking down of social barriers that would stifle the classless society from developing.

His purpose in advocating a central banking system was to attain a method for the manipulation of money by the state. The effect of this manipulative exercise is called inflation.

Inflation is caused by the increase in the purchasing medium - what we would call money today.

At issue is thus private property. The Christian approach to economics is based on private property. Money is used as a medium of exchange so individuals can exchange one property for another or for labour or something else of value.

Money thus serves as a store of value.

A government that tampers with the money supply tampers with our wealth, our property. With a Biblical approach anything of value would be used as money although certain things will be more efficient as a medium of exchange than others - gold, for example, has a historic value as a medium of exchange and store of value.

The prophet Isaiah long ago warned about inflation. "Thy silver has become dross", he cried out to God's people. Baser metals were being used with the silver so that it lost most of its value. By using a cheap metal that looks like silver, the supply could be increased. This is inflation.

Modern inflating is done mostly through the central banking system. The money supply is steadily increased. This money is called "fiat" money with "fiat" being the Latin word which means "let there be". Just as God said "Let there be light," so the money creators say "let there be money."

The individual cannot create wealth by fiat. Increasing the money supply results in a corresponding decrease in the value of all money. This is why the Rand has been steadily losing its value.

Inflation is a silent burglar. Stealing from those, especially who are earning fixed incomes. Its victims, often as not, are the poor and needy.

Section 199(2)

While there is scope for the independence of the Central Bank, there is an equal need for transparency in its functions. All the structures of government and finance that have survived from the previous dispensations have been substantially adapted to ensure openness and transparency.

It is thus lamentable that the only institution that would seem to be as opaque and intransparent in its dealings as previously is the Central Bank - especially since its functions touch the pockets of all South Africans to an even greater extent than any other.

Oversight of this powerful body must thus lie with national and provincial Parliaments and not one member of cabinet. It must not merely consult, but its dealings must be audited from time to time and if errors in judgement end the like becomes apparent, those responsible must answer for it.

Section 199(1)

The primary object of the Central Bank should be adapted to make reference to the land. If the currency has to be changed, for whatever reason, this has to go through Parliament as the elected representatives of the people.

Re-drafted Text

Primary Object

199.

(1) The primary object of the South African Reserve Bank is to protect the value of the Rand of the Republic in the interests of balanced and sustainable economic growth in the Republic.

(2) The South African Reserve Bank, in the pursuit of its primary object, shall perform its functions, subject to acts of the respecting Parliaments and in such a way that transparency, accountability and effective financial management of the economy, debt and all aspects with which the primary object of the Bank is concerned, is promoted. Regular consultation will take place between these Parliaments and the Bank to assist in the attainment of having a transparent, accountable and effective central bank.

Powers and functions

200. The powers and functions of the South African Reserve Bank are those customarily exercised and performed by central banks, subject to the need for transparency and accountability. Such powers and functions are to be determined by national and regional legislation.