Publication: Sunday Tribune - Main
Title: Don`t borrow in foreign currency, SA warned
Publish date: 29 Oct 2023
Page: 5
Reach: 18632
AVE: R 27834.84
Author: Sihle Mavuso

SAFTU organised the webinar with Professor William Mitchell. | **DAVID RITCHIE** Independent Newspapers

'NEW ELITE'

Don't borrow in foreign currency, SA warned

SIHLE MAVUSO
sihle.mavuso@inl.co.za

AN INTERNATIONALLY renowned professor of economics has warned South Africa to stop borrowing in foreign currency in order to keep monetary sovereignty intact.

Professor William Mitchell was speaking during an anti-austerity webinar on Friday, which was organised by the South African Federation of Trade Unions (Saftu).

The webinar was titled, *The Myth of South Africa's Fiscal Crisis*.

Opening the webinar, Saftu's general secretary, Zwelinzima Vavi, said the webinar was held days before the Minister of Finance, Enoch Godongwana, was to present his mid-term budget (MTBPS) after advising government departments to cut down on their spending as the country was almost broke.

Mitchell is currently based in Yodo, Japan, where he is teaching economics.

He recounted how he spent three years in South Africa around 2008 working with the International Labour Organisation to evaluate the first five years of the expanded public works programme and to provide a framework for the minimum wage system.

He said at the time South Africa had an opportunity to solve its challenges, like poverty, in 2008, but there was no willingness by some government officials to do so.

He said the country had the needed labour, the natural resources, and plenty of land to change its economic fortunes, but that opportunity was wasted.

"When I was in Johannesburg and Pretoria, I spoke to many people, government officials, and officials of multilateral agencies like the World Bank and the IMF.

"And you know, the first impression I got was that you effectively cleansed the country of apartheid and moved to independence in 1994," Mitchell said.

"Effectively, my judgement was that you have just replaced one pernicious system with another creation by another new set of ideals, and I was quite taken aback by the government officials that I dealt with who were almost part of a new elite."

He said the government officials he engaged with behaved like IMF officials, saying they had no resources when they had plenty.

"They had big cars; they had big watches; they had big iPhones; they talked like everybody within the Washington consensus; they talked like IMF officials," Mitchell told the webinar.

Giving advice to South Africa, he said the country should stop borrowing in foreign currencies like the US dollar.

"Once a government that issues its own currency also starts borrowing in foreign currency, then it compromises its monetary sovereignty.

"Let me say from the outset, South Africa does not need to borrow in foreign currency.

"So the first pressure that should be put on the government is to stop borrowing in a foreign currency, because if the South African government stops doing that, then it has all the preconditions for monetary sovereignty."

He said this would free South Africa by having no financial constraints on its spending.

"A country that issues its own currency and doesn't borrow in foreign currency has no financial impact on its spending.

"It can buy whatever is for sale in that currency, including idle labour," he said.