

## **NATIONAL ASSEMBLY**

### **QUESTIONS FOR WRITTEN REPLY**

**QUESTION NUMBER: 852 [NW1095E]**

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**852. Mr C G Niehaus (EFF) to ask the Minister of Finance:**

Whether he will implement the groupthink strategy in the Monetary Policy Committee of the Reserve Bank that may have a bearing on the decisions of the committee; if not, will he broaden the committee to include professional economists who may not be aligned with the possible groupthink; if so, what are the relevant details?

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**REPLY:**

The Minister of Finance is not implementing the groupthink strategy in the Monetary Policy Committee (MPC).

In monetary policy decision-making processes, committees are preferred above individuals to draw diverse viewpoints from constituent members and possibly moderate extreme positions and policies and establish more even policymaking. Furthermore, the finance minister does recommend professional and skilled individuals for deputy governor roles at the SARB.

Monetary policy is conducted by individuals acting by legislative mandate in an institutional setting. Generally, the responsibilities of central banks are subject to considerable scrutiny, and it has been argued that the evolution of central bank policy frameworks globally can be seen as an attempt to make them robust to psychological biases. Groupthink bias is counteracted with transparency and accountability. This assertion is supported by literature. One of the central tenets of inflation targeting is the increase in transparency to anchor long term inflation expectations lower.

In the South African context, the MPC statement also includes the vote preferences of members (anonymously) for changes to the repo rate. The SARB also publishes its Monetary Policy Review biannually which describes in detail the MPC's decision-making on interest rates. This balances transparency and accountability while decisions of the MPC are made unanimously.