

Itumeleng Lesofe

From: Joel, Gordon GE [Gordon.Joel@standardbank.co.za]
Sent: Friday, April 21, 2006 6:44 PM
To: Banking Enquiry
Cc: du Preez, Christiaan
Subject: Banking fees

Dear Sir/Madam

Thank you for making available this opportunity for public comment on this issue.

I agree that banking fees are high in South Africa.
However, I disagree that further regulation, or any intervention whatsoever from the state, is required.

In a free market, any excess profits are quickly eliminated by the activities of profit-seeking entrepreneurs. If a particular industry is generating higher profits than can be earned in any other industry, entrepreneurs will flock in droves

into that more profitable line of business.

Now the fact that banks are earning such great profits begs the question:
Why aren't entrepreneurs flocking into the banking business in South Africa?

There must be something stopping them...

If we could rather spend our time figuring out what the barriers to entry are, rather than how the state could magically "remedy"

the situation (something it has a dismal record in), we'd be making progress.

Specifically, does the government have some kind of Byzantine protectionist attitude towards our local banking industry?

I seem to remember there being, at one time, a clearly stated "four pillar" government policy: that we should have 4 big banks that dominate the industry.

Such a policy of central planning could easily raise the barriers of entry into the business for foreigners (or local businessmen), thus leading to the sustained

high profits being generated.

What are banks required to do in order to obtain a license in South Africa?
Do we really need to place onerous requirements on businesses who want to set up banks?
Do we really need government to "protect" us from would-be evil doers in the banking industry?
Surely if we South Africans are discerning and knowledgeable enough to vote for the "best" politicians in our democracy,

we are discerning and knowledgeable enough to "vote" for the best bank (or generally speaking, any business), with our rands.

I say, remove government instated barriers to industry, and let the South African consumer rule!

Regards
Gordon Joel

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