



Australian Citizens Party

Craig Isherwood, National Secretary

PO Box 376, COBURG, VIC 3058

Phone: 1800 636 432 **Email:** info@citizensparty.org.au **Web:** citizensparty.org.au

MEDIA RELEASE

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Democratic powers over the Reserve Bank must be used, not removed!

The Australian Citizens Party (ACP) today urged all Australians to participate in the Senate inquiry into the new Reserve Bank Reforms bill, so that the major political parties don't get away with sweeping one of the biggest political issues of all time under the carpet.

On 7 December, the Senate Economics Legislation Committee established an inquiry into the Treasury Laws Amendment (Reserve Bank Reforms) Bill 2023, due to report by 21 March 2024 (submissions close 2 February 2024). The purpose of the bill, introduced by Treasurer Jim Chalmers on 30 November, is to implement the recommendations of the recent RBA Review, including:

- The repeal of Section 11 of the *Reserve Bank Act 1959* to remove the Treasurer's power to overrule the RBA;
- The repeal of Section 36 of the *Banking Act 1959*, by which the RBA can guide the private banks on how much they should be lending to different sectors of the economy, a tool the RBA can use to target inflation.

ACP Research Director Robert Barwick today said: "If you want to know why stopping this bill from giving up democratic authority over the RBA is so important, look at the millions of Australian households being crushed by the RBA's interest rate hikes."

He cited the latest household survey results from Digital Finance Analytics showing record numbers of households are suffering financial stress from rising interest rates driving up the cost of living—50.1 per cent of households with mortgages and 73.57 per cent of households that are renting.

"Jim Chalmers acts like he feels the pain of households each time rates go up, but he's crying crocodile tears, because he's giving away the Treasurer's power to the technocrats responsible for raising the rates that are crushing households", Barwick said.

"RBA Governor Michele Bullock and her predecessor Philip Lowe are completely out of touch. They were both involved in the RBA's policy of lowering rates to near-zero, which drove up house prices to unaffordable levels and lured millions into unpayable debt, but then to address the inflation they caused they have savagely raised rates at the fastest rate in history.

"These highly paid central bankers have never had the same mortgage struggles as other Australians. Both Lowe and Bullock benefited from the RBA's employment perk that allowed staff to borrow a mortgage at half the commercial interest rate. Bullock and her husband paid off their mortgage in nine years in the 1990s, because she was able to borrow in-house from the RBA at 7 per cent when commercial rates were 14 per cent. Meanwhile, thanks to RBA policies she contributed to, now only one in seven Australians are confident they will have paid off their mortgage by the time they retire.

"And Bullock proved what a technocrat she is when she casually said unemployment has to rise above 4 per cent to tame inflation. In other words, more than 100,000 people have to lose jobs and possibly homes, relationships etc., just so she can hit the inflation target on her computer screen."

Treasurer's power

Barwick explained that these are precisely the circumstances for which John Curtin and Ben Chifley legislated the Treasurer's power to overrule the central bank.

Ben Chifley wrote in his dissenting comments in the report of the 1937 Royal Commission on Banking: "I disagree with the contention often made that the raising of interest rates is a suitable or effective method of checking undesirable expansion [i.e. inflation]. In my opinion, this end can better be achieved by restricting the volume of advances [loans]." He also noted that the banking system caused the nation's financial problems by lending too much in times of boom, feeding speculative bubbles, but then withdrawing credit in times of economic depression, worsening the hardship people suffer—exactly as the RBA has done under Lowe and Bullock!

"If Chifley were Treasurer, he would have intervened years ago to stop the RBA from dropping rates to near-zero and making housing unaffordable, and he would intervene today to stop the RBA from

raising rates to crush indebted households, because he knew it's the government's responsibility to act for the people", Barwick said.

"That's what the powers are for. Australians must emphatically oppose Labor and the Liberals giving those powers away to an unelected bankers' dictatorship."

What you can do—make a submission!

The new Senate Economics Legislation Committee inquiry into the Treasury Laws Amendment (Reserve Bank Reforms) Bill 2023 [Provisions] is an opportunity for the public to send a clear message to Parliament that the politicians must not give up democratic authority over the banking system.

Make a submission—which is just a letter as short or long as you like, and either uploaded, emailed, or posted—to the inquiry ASAP expressing your opposition, in your own words, to repealing Section 11 of the *Reserve Bank Act 1959* and Section 36 of the *Banking Act 1959*, which enshrine democratic authority over the RBA and provide the RBA with tools to target inflation other than raising interest rates. The deadline for submissions is 2 February 2024, but as that includes the Christmas period, it's best to make a submission straight away.

Submissions can be emailed to:
Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600
Phone: 02 6277 3540
economics.sen@aph.gov.au

Submissions can be uploaded to the [Senate inquiry website](#).