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To: Economics, Committee (SEN)
Subject: Senate Reserve Bank Reforms inquiry. Democratic powers over RBA must be used, not removed

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Categories: TLAB (Reserve Bank)

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Sirs,

Treasurer Jim Chalmers' bill, the Treasury Laws Amendment (Reserve Bank Reforms) Bill 2023, has been referred to a [Senate inquiry](#).

It is crucial that citizens engage with this inquiry and send the message that Parliament must not legislate away the democratic power to overrule the RBA.

For example, when RBA Governor Michele Bullock raises interest rates to "tame inflation", she isn't thinking about the struggling families who are getting smashed by higher interest rates; all she is thinking about is the number on her computer screen that is her inflation "target". In her own words, she has said unemployment needs to increase to reduce inflation; i.e. hundreds of thousands of people must be thrown out of work and lose their homes so she can hit her target.

This is why the Treasurer's power to overrule the RBA exists! In these circumstances, it is the responsibility of the elected government to step in and say to the RBA Governor: "No, you will not keep crushing families with more interest rate rises. We will work to contain inflation in other ways."

Conversely, it could go the other way: back when the RBA was slashing rates to near zero, driving up house prices to insane unaffordable levels, the elected government should have stepped in to STOP the RBA from cutting rates. That's what the power is for.

Labor giant Ben Chifley knew that. In the 1937 Banking Royal Commission, he criticised banks for expanding credit in times of boom to create quick-profit bubbles, but then contracting credit in downturns, which exacerbates suffering. In 1945, he legislated the Treasurer's power to overrule the central bank so that ultimately the decision makers would be answerable to the people.

Ben Chifley would be rolling over in his grave that his successor Jim Chalmers is so ready to give away this power to the unelected bankers at the RBA, and their overlords at the Bank for International Settlements.

That's why we must stop Chalmers from doing so.

Senators, you must oppose legislating away the powers in Section 11 of the *Reserve Bank Act 1959* and Section 36 of the *Banking Act 1959*: the Treasurer's power to overrule the RBA; and the

RBA's power to direct banks to increase or decreasing lending into different parts of the economy. These powers must be used, not removed!

In my view, there are times when the collected wisdom of Parliament exceeds the professional wisdom and practice of paid professionals. For example, many of our current environmental disasters have been foisted on the Australian people by enthusiasts or experts [think: rabbits and foxes; think the introduction of the cane toad; think woolly logic and money wasted on alternative energy prospects]. By abrogating decision making to specialists, parliament [ie the Australian voter] loses any opportunity to provide input or corrective action via the ballot box. The issue of transparency and independence is also important but surely Parliamentary oversight and ultimately Parliamentary control actions are important, even if only seldom used - perhaps the ultimate safeguard. I can understand why democracy by the people can become messy, but is this not why we seek to promote participatory democracy [think: bail up your local member for a solid dressing down when needed].

Please keep the powers in Section 11 of the *Reserve Bank Act 1959* and Section 36 of the *Banking Act 1959*: the Treasurer's power to overrule the RBA; and the RBA's power to direct banks to increase or decrease lending into different parts of the economy.

Thank you.

Mr I K Nigol

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