

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Senate inquiry: *Treasury Laws Amendment (Reserve Bank Reforms) Bill 2023*

To the Committee,

I am concerned with this Bill and its implications.

Parliament must not legislate away the democratic power to overrule the Reserve Bank of Australia. It is not the sole source of economic wisdom.

Senators 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.

When RBA Governor Michele Bullock raises interest rates to 'tame inflation', she isn't thinking about the struggling families who are getting hit by higher interest rates. In her own words, she has said unemployment needs to increase to reduce inflation.

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 No to the RBA Governor: "We will work to contain inflation in other ways."

It could go the other way: when the RBA was slashing rates to near zero, the elected government should have stepped in to stop the RBA from cutting rates. That's what the power is for.

Labor Prime Minister 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 very sad to know that his successor Jim Chalmers is so ready to give away this power to the unelected bankers at the RBA.

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