

Premiers try to bell the wrong cat

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Lead Editorial

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Who's in charge? Labor state premiers demanded RBA Governor Michele Bullock cut interest rates, but they should be demanding Albanese and Chalmers not give up their power over the RBA. Photo: Facebook

This week Reserve Bank Governor Michele Bullock defied calls from three Labor state premiers for sharp interest rate cuts, keeping the RBA cash rate on hold at 4.35 per cent and the average mortgaged household paying more than \$4,000 per month.

In response to last week's news that inflation was continuing to come down, Labor premiers Steven Miles in Queensland, Jacinta Allan in Victoria, and Roger Cook in Western Australia, had called for the RBA to cut rates as fast as they had raised them; bizarrely, *The Australian* newspaper, owned by neoliberal policy sponsor Rupert Murdoch, accused the premiers of "bullying" the RBA!

Maybe the RBA needs some bullying. In her 6 February press conference RBA Governor Michele Bullock justified keeping rates at their present household-crushing levels by claiming that they were actually benefiting households, because they were bringing down inflation, which is a benefit to households!

Oh, really? Bullock is conflating inflation with the cost of living, but the truth is that the RBA has deliberately increased the cost of living on mortgaged homeowners, and renters, to ostensibly reduce inflation. Bullock has repeatedly lied that the RBA has "one tool"—interest rates—with which all it can do to control inflation is smother borrowers so much that they can't afford to spend money, which reduces consumer demand, which reduces inflation.

Smother is the right word. At the request of AAS, banking expert Martin North from Digital Finance Analytics calculated how much more Australian households are collectively paying in interest than they were paying in 2021, following the fastest interest rate rises in history. The figures are shocking, especially when compared with the Albanese government's tax cuts, the aggregate value of which is \$20 billion per year, which the government is touting as cost-of-living relief, because allowing households to keep this \$20 billion will help them pay their bills. Contrast this \$20 billion to Martin North's figures: compared with 2021, owner-occupier borrowers are collectively paying an extra \$49.52 billion per year in interest; while mortgaged housing investors are collectively paying an extra

\$22.5 billion per year (with a knock-on effect on rental costs). All up, RBA rate rises have made indebted households pay an extra \$70 billion annualised just in interest, which Martin North's latest DFA survey shows is driving the highest ever levels of mortgage stress (50.5 per cent) and rental stress (73.47 per cent). Compared to this burden on households, the government's relief of \$20 billion in tax cuts doesn't even touch the sides.

That's why the Labor state premiers were right to call for interest rate cuts (to which Bullock responded by repeating her lie: "They've got their tools; we've got our tool", she said). Their mistake, however, was to pick the wrong target. Instead of calling for Bullock to cut rates, the Labor premiers should have directed their call at their Labor Party colleague Jim Chalmers, who as federal Treasurer has the power to order Bullock to cut rates, and to order her to use the RBA's other tools, such as its power to direct bank lending, to control inflation in other ways.

On 2 February, Greens Senator Nick McKim called on the premiers to target Chalmers. "Labor premiers are calling for the RBA to cut rates next week", McKim tweeted. "But will they put pressure on Jim Chalmers to intervene? Jim Chalmers has the power to overrule the RBA on interest rates under S.11 of the *RBA Act*. Instead of using this power, the Treasurer is seeking to give it away in upcoming legislation."

As the Australian Citizens Party has shown, the present circumstances are precisely why John Curtin and Ben Chifley legislated the Treasurer's power over the RBA in the first place, so he or she can intervene to save households from an out-of-touch central bank. Demand Chalmers use it, not remove it!

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