

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates

2017 - 2018

**Division/Agency:** Macroeconomic Modelling and Policy Division

**Question No:** 244

**Topic:** Money Supply & Inflation

**Reference:** Written

**Senator:** Roberts, Malcolm

**Question:**

Is it the case that the money supply has been irresponsibly & unaccountably inflated (not unlike the irresponsible but transparent Quantitative Easing by the Federal Reserve in the USA for the past decade) for decades by the duopoly of Liberal-National & Labor-Greens governments through some combination of the government-owned-monopoly of the Reserve Bank of Australia (RBA) & government-backed-cartel of the Four Pillar Banks?

**Answer:**

The Reserve Bank of Australia is an independent central bank with responsibility for monetary, financial system and payments system policies, and other financial matters. It derives its functions and powers from the Reserve Bank Act 1959 and its Board and staff are governed by Codes of Conduct. Its duty is to contribute to the stability of the currency, full employment, and the economic prosperity and welfare of the Australian people. It does this by setting the cash rate to meet an agreed medium-term inflation target, working to maintain a strong financial system and efficient payments system, and issuing the nation's banknotes. The Reserve Bank Board makes decisions about interest rates independently of the political process – that is, it does not accept instruction from the Government of the day on interest rates. This principle of central bank independence in the operation of monetary policy, in pursuit of accepted goals, is the international norm. It prevents manipulation of interest rates for political ends, and keeps monetary policy focused on its long-term goals.

The cash rate influences a range of interest rates in the economy, including those set by commercial banks.

Further details can be found at: <http://www.rba.gov.au/monetary-policy/>