



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES
PRIVATE MEMBERS' BUSINESS

Reserve Bank of Australia

SPEECH

Monday, 15 March 2010

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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Questioner
Speaker Robert, Stuart, MP

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Mr ROBERT (Fadden) (9.21 pm)—I rise to support the motion by the member for Lindsay. Perhaps I do not support some of his words, but indeed the motion is worthy of respect. The Reserve Bank of Australia was slated under the Reserve Bank of Australia Act 1959, coming into being in the following year. Its charter, as has been stated, is about stability of the currency, creating full employment and, of course, acting for the best welfare of Australia and its people. The bank, of course, does a lot more than that. It also issues currency and provides a range of select banking services and manages our foreign currency reserves.

The true potential of the bank—the true realisation of all that the bank could achieve for the nation—came in the Howard years, when it was made independent and when, in the setting of monetary policy, it was unshackled from the rules of government and the executive and was able to set monetary policy in its own right. That is when we saw the Reserve Bank become one of the four great pillars that have stood us in such good stead, in concert with ASIC, APRA and the ACCC. Those four pillars of our financial system have ensured that we remain one of the powerhouses of financial management globally.

There is no clearer example of this than the value of the Reserve Bank that we saw in the global financial crisis. It is interesting that with over 200 banks now failing across the world not a single bank has failed in Australia even though in the late eighties quite a number of banks failed, including credit unions. I think the Labor Party has realised that the Labor Party running state banks is not such a good idea.

Indeed, at the point right now at the end of the GFC, and from our point of view as our economy kicks back into growth again, there are only eight banks in the world that have an AA or higher rating—only eight. And four of them are the big four in Australia, so well has our banking system been regulated and so well have the four pillars stood us in good stead.

It is interesting that the Treasurer and I would fail to agree on many things, but I agree with him on one point: that fiscal policy must work in concert with monetary policy. In the lead-up to the global financial crisis there is no better example of the two hand in hand. We entered the global financial crisis in a far better position than any other country in the OECD, if not the world. We were debt-free, we had money in

the bank and lots of it—in the tens of billions. We had a Future Fund of something like \$60 billion. It is not unreasonable to suggest that the sovereign wealth of the nation, if I could use that term, was something like \$100 billion in the bank. It actually meant Australia had the 10th largest sovereign fund in the world. That is how we went into this crisis.

Inflation was in the band of two to three per cent over the economic cycle, and had been 2.5 per cent from 1996 to 2007. We had an incredibly flexible labour market. Unemployment was at four per cent and, indeed, dropped lower than that nationally. That flexible labour market and everything that went with it allowed us to take advantage of and to capitalise on a resources boom that made us a country on par with, if not better than, Brazil to invest in when it came to resources and energy.

This was the position of the nation when we went into the global financial crisis. Parties would have us believe that economic stimulus alone pulled us out; it was wise decisions made by the executive. But I think sound economists look at the shape we went in with, the shape of our banking system and the oversight provided by the four pillars—especially the Reserve Bank.

The state of our economy, the state of the money in the bank, our inflation band and our flexible labour market meant that when the GFC hit and the crisis was imported into Australia, the Reserve Bank had room to move. It dropped interest rates down to three per cent of the cash rate, a four per cent drop, whereas other economies like Europe, the US and the UK dropped interest rates down to zero because they had no choice and they had nowhere else to go. Our cash rate only went to three per cent because of the strength of the economy going into the crisis. No other nation in the world had prepared as well as Australia. So whilst I support the motion, and recognise the 50th year since the establishment of the Reserve Bank of Australia, I think that, importantly, I respect and acknowledge the independence of the Reserve Bank and what it did during those great Howard years to ensure we could ride the shock of the global financial crisis to the degree that we have done.