[**Defined Terms and Documents**](http://www.muggaccinos.com/CreditCards/DefinedTerms/Defined_Terms_&_Documents.htm)

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Mr. Ian Verrender

The ABC's Business Editor

PO Box 9994

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Dear Mr. Verrender

**Not in my childrens' lifetime will** [**Australia's Principal Regulator of the Payments System**](http://www.muggaccinos.com/CreditCards/DefinedTerms/Parliamentary_Bestowed_Mandate.htm) **ever again lower the** [**Cash Rate Target**](http://www.muggaccinos.com/CreditCards/DefinedTerms/Cash_Rate.htm) **below 0.50% pa.  Not out of concern for low income earners suffering debilitating** [**Mortgage Stress**](https://www.afr.com/companies/financial-services/why-mortgage-stress-is-on-the-rise-in-four-charts-20221121-p5c04s)**, but because of** [**damage to its own credibility**](https://www.afr.com/companies/financial-services/rba-concedes-its-reputation-has-suffered-20220620-p5av86)**. Holding the** [**Cash Rate Target**](http://www.muggaccinos.com/CreditCards/DefinedTerms/Cash_Rate.htm) **down at 0.10% pa for 18 months (Nov '2020 to May 2022) facilitated** [**Mortgage Stress**](https://www.theguardian.com/australia-news/2023/feb/11/australias-looming-mortgage-stress-crisis-what-the-nine-interest-rate-rises-mean-for-households) **(for many Australians on low incomes) because borrowing money for residential real estate became artificially discounted.  But those *rock bottom* mortgage interest rates COULD NOT and DID NOT stay that absurdly low.**

**The Australian economy would be in far better shape NOW with lower interest rates, lower inflation and fewer suffering** [**Mortgage Stress**](https://www.theguardian.com/australia-news/2023/feb/11/australias-looming-mortgage-stress-crisis-what-the-nine-interest-rate-rises-mean-for-households) **had the RBA not lowered the** [**Cash Rate Target**](http://www.muggaccinos.com/CreditCards/DefinedTerms/Cash_Rate.htm) **beneath 0.50% in to '**[***uncharted territory***](https://www.koalainvest.com.au/post?post_id=3209)**' and left it there for so long.**

**A sad state of affairs that economists from ABC News, SMH/The Age, The Guardian, The Drum *'et al'* had to alert the RBA (in their articles in early 2022) of palpable reasons why** [**Australia's Principal Regulator of the Payments System**](http://www.muggaccinos.com/CreditCards/DefinedTerms/Parliamentary_Bestowed_Mandate.htm) **needed to *wake back up from its slumber* and start increasing the** [**Cash Rate Target**](http://www.muggaccinos.com/CreditCards/DefinedTerms/Cash_Rate.htm)**.  Nine consecutive rate hikes then ensued, taking it from 0.10% pa to 3.35% p.a. -  an increase of over 33 times the starting rate of 0.10% pa in only two thirds of a year.**

**Without several newspaper economists chronicling the apparent consequences of the longstanding 0.10%** [**Cash Rate Target**](http://www.muggaccinos.com/CreditCards/DefinedTerms/Cash_Rate.htm)**, it may indeed have prevailed until 2024, and** [**Dr. Phillip Lowe's Cash Rate forecast made in Feb 2021 would have been *spot on***](https://www.smh.com.au/business/the-economy/no-rate-rises-until-2024-behind-the-rba-s-best-guess-20220912-p5bh9w.html)***.***

Your recent ABC article **"**[**Why the Reserve Bank is pushing us towards a recession that we don't need to have**](https://www.abc.net.au/news/2023-02-13/reserve-bank-australia-pushing-us-towards-a-recession-verrender/101963794)**"** (13 Feb 2023) presents robust reasons how and why [**Australia's Principal Regulator of the Payments System**](http://www.muggaccinos.com/CreditCards/DefinedTerms/Parliamentary_Bestowed_Mandate.htm)with[**Extensive Powers and Responsibilities**](http://www.muggaccinos.com/CreditCards/DefinedTerms/Extensive_Powers_of_the_RBA.htm) beyond those of the [**Bank of England and the US Federal Reserve**](http://www.Muggaccinos.com/CreditCards/Actions/RBA_hasn't_recognised_vulnerable_Credit_Cardholders.htm), and bound bylegislated[**Statutory Obligations**](http://www.muggaccinos.com/CreditCards/DefinedTerms/Statutory_Duty.htm)to did not *"*.... [**best contribute to.......... the economic prosperity and welfare of (ALL) the people of Australia**](https://www.rba.gov.au/about-rba/our-role.html)"by reducing the[**Cash Rate Target**](http://www.muggaccinos.com/CreditCards/DefinedTerms/Cash_Rate.htm)into [***uncharted territory***](https://www.koalainvest.com.au/post?post_id=3209) and leaving it there for 18 months.

Your above article explains that the [**Phillips Curve theory**](https://www.investopedia.com/terms/p/phillipscurve.asp#:~:text=The Phillips curve states that,the stagflation of the 1970s.) significantly influenced many countries central banks' policies for more than 60 years - ".... as more people find work, pressure builds on wages, which then leads to higher prices and ultimately entrenches inflation."

After ultra-low interest rates for almost two years, the rationale of the [**Phillips Curve theory**](https://www.investopedia.com/terms/p/phillipscurve.asp#:~:text=The Phillips curve states that,the stagflation of the 1970s.) is now being questioned by economists (at least beyond the RBA).  Notwithstanding,  the US Fed Reserve and our own RBA could collectively be about to unnecessarily throw lots of workers out of a job by proceeding with further monthly interest rate increases.

Re [**Mortgage Stress**](https://www.theguardian.com/australia-news/2023/feb/11/australias-looming-mortgage-stress-crisis-what-the-nine-interest-rate-rises-mean-for-households)**,**an old friend of mine named Pete has a son named Michael.  In Feb 2020, Michael and his wife borrowed $550,000 to purchase a home at South Penrith from the *TEACHERS MUTUAL BANK*.  Their initial fortnightly housing loan repayment was $1,111.26.  It has now risen to $1,526.00 each fortnight (on a 2 year fixed rate loan) based on a revised home loan of $526,000.  That represents a 37% increase in annual repayments. Michael is school teacher and not on a high income, so Michael and his wife have had to cut back in other expenditure areas. Presently they have to find an extra $10,790 after tax each year to pay their mortgage.  Any further increases in their mortgage repayments would cut further into the living standards of this young family.

Below is an extract from your above article that identifies that food and energy/fuel supply disruptions were largely due to reduced local production due to COVID and reduced availability due to the Ukraine war:

"It's a nod to the fact that the current bout of global inflation wasn't caused by a wages blowout from militant workers. It was supply disruptions of goods and commodities in the wake of the pandemic and Russia's invasion of Ukraine that lit inflationary bonfire."

I believe that flooding due to extreme rainfall in the last 15 months or so along the eastern coast of Australia (Lismore, Windsor, Illawarra and various towns in Victoria) dampened farm produce supply, thereby evidencing increases in prices due to demand exceeding available supply.

[**Unlike inflation in the 1970s and 1980s in Australia**](https://www.orangefinance.net.au/historical-interest-rates/) that was largely due to wages spiraling, this time price increases have been predominantly due to the aforementioned three separate forces that restricted supply chains. So increasing interest rates merely made it more difficult for Australians on low incomes, particularly those that entered into a housing loan, yet those increases in the   
[**Cash Rate Target**](http://www.muggaccinos.com/CreditCards/DefinedTerms/Cash_Rate.htm)could not effectively impact the supply disruptions of goods, commodities, fuel and energy caused by the Ukraine war, COVID and floods.

As stated in the above title [**Australia's Principal Regulator of the Payments System**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\CreditCards\DefinedTerms\Parliamentary_Bestowed_Mandate.htm)will never again lower the[**Cash Rate Target**](http://www.muggaccinos.com/CreditCards/DefinedTerms/Cash_Rate.htm)below 0.50% pa. because of the prospect of further [**damage to its own fractured credibility**](https://www.afr.com/companies/financial-services/rba-concedes-its-reputation-has-suffered-20220620-p5av86)**.**

The damage brought on by dropping the [**Cash Rate Target**](http://www.muggaccinos.com/CreditCards/DefinedTerms/Cash_Rate.htm)from 0.50% pa *circa* down to [***uncharted territory***](https://www.koalainvest.com.au/post?post_id=3209)of0.10% pa and holding it there for 18 months, well exceeded any perceived benefit from lowering the cost of money by 40 basis points*.* Because lowering the [**Cash Rate Target**](http://www.muggaccinos.com/CreditCards/DefinedTerms/Cash_Rate.htm)into the unknown enabled an unsustainable/fleeting opportunity for folk on limited financial means to purchase residential real estate, when at any time *the good times would evaporate*, as they did vaporise, by Australia's portentous interest rate controller, namely the [**Principal Regulator of the Payments System**](http://www.muggaccinos.com/CreditCards/DefinedTerms/Parliamentary_Bestowed_Mandate.htm)**.**

One thing is certain and that is that Dr. Phillip Lowe's contract as Governor of the RBA will not be extended beyond this September.  To save face, Dr. Lowe will probably announce this winter that he is retiring after a seven year tenure.

NB: Perhaps [**your above recent article**](https://www.abc.net.au/news/2023-02-13/reserve-bank-australia-pushing-us-towards-a-recession-verrender/101963794) could have finished with **".........**[**that should never have been even remotely possible**](file:///F:\Documents\My%20Web%20Sites\Muggaccinos\CreditCards\ABC\why_the_reserve_bank_is_pushing.htm)**"** if the [**Cash Rate Target**](http://www.muggaccinos.com/CreditCards/DefinedTerms/Cash_Rate.htm)had never slipped down into [***uncharted territory***](https://www.koalainvest.com.au/post?post_id=3209) where it remained for 18 months.

Yours sincerely

Philip Johnston - the [**Writer**](https://www.muggaccinos.com/CreditCards/Writer/Writer.htm)