



Government has put us in this inflation situation according to Mark Bouris

The increase in money supply over the last two years from the Reserve Bank was one of the most extraordinary in our economic history, and it's why we are where we are now, writes Mark Bouris.

Mark Bouris

February 16, 2023 **The Daily Telegraph**

Milton Friedman, the great American economist, has said a hundred times over that consumers never cause inflation, that governments are the only culprits.

How and why is that?

Appropriately, at the time, the RBA previously created conditions where the banks gave us money to buy property or investments at very low interest rates.

Measures intended to stimulate us to spend money.

We did exactly what they wanted us to do. During the pandemic the RBA advanced our banks money at a rate that I have never seen before in 40 years at 0.1 per cent. About \$188 billion was advanced to the major banks for them to lend. The banks took it and tried to

make whatever margin they could, lending it to consumers at a very low rate. The repayments were cheap, which allowed us to pay more money to buy property, which had an inflation factor attached to it.



Mark Bouris. Supplied

So, the RBA – which is government – created inflation, by stimulating the economy with an ‘excess supply of money.’

Then the government played its part with fiscal policy, stimulating the economy with government-led infrastructure spending.

In addition to that, during COVID, the government gave some of us cash, to survive.

It gave employers cash to pay for their employees. I’m not saying they shouldn’t have done this because no one knew what COVID was going to do.



Governor of the Reserve Bank of Australia Philip Lowe. (AAP Image/Lukas Coch) NO ARCHIVING

Did the RBA hold the line on those stimulatory policies for too long? I think they did.

Did the government hold onto their fiscal stimulatory policies for too long? Again, yes.

Increasing money supply always creates inflation and the more money supply you create, the greater the inflation to come.

The increase in money supply that occurred from 2020 to 2022 was one of the most extraordinary in our economic history, because of extraordinary circumstances.

The Reserve Bank and the government created this inflation, but guess who's being punished for it? Us, the consumers.

In particular, people with a mortgage, especially those that borrowed on a fixed rate who are now going to variable rates and anyone who borrowed when rates were extraordinarily low.