MONETARY AND ECONOMIC REFORM

The Australian Case

Presentation to Central Bank of Argentina Conference

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Table 1: The Two Monetary Systems

Old system	New system
Government sets bond rate	Market sets bond rate
Some of financing requirement feeds into money supply	None of financing requirement feeds into money supply
Government sets exchange rate	Market sets exchange rate
Some of foreign exchange transactions feeds into money supply	None of foreign exchange transactions feeds into money supply
Exchange controls on capital	No exchange controls on capital
Government sets maximum deposit and lending interest rates on banks	No controls on deposit and lending interest rates on banks
Central bank open-market operations constrained by government	Central bank open-market operations not constrained
Monetary policy regime mainly money supply target	Monetary policy regime is inflation target
Central bank has limited independence	Central bank is independent

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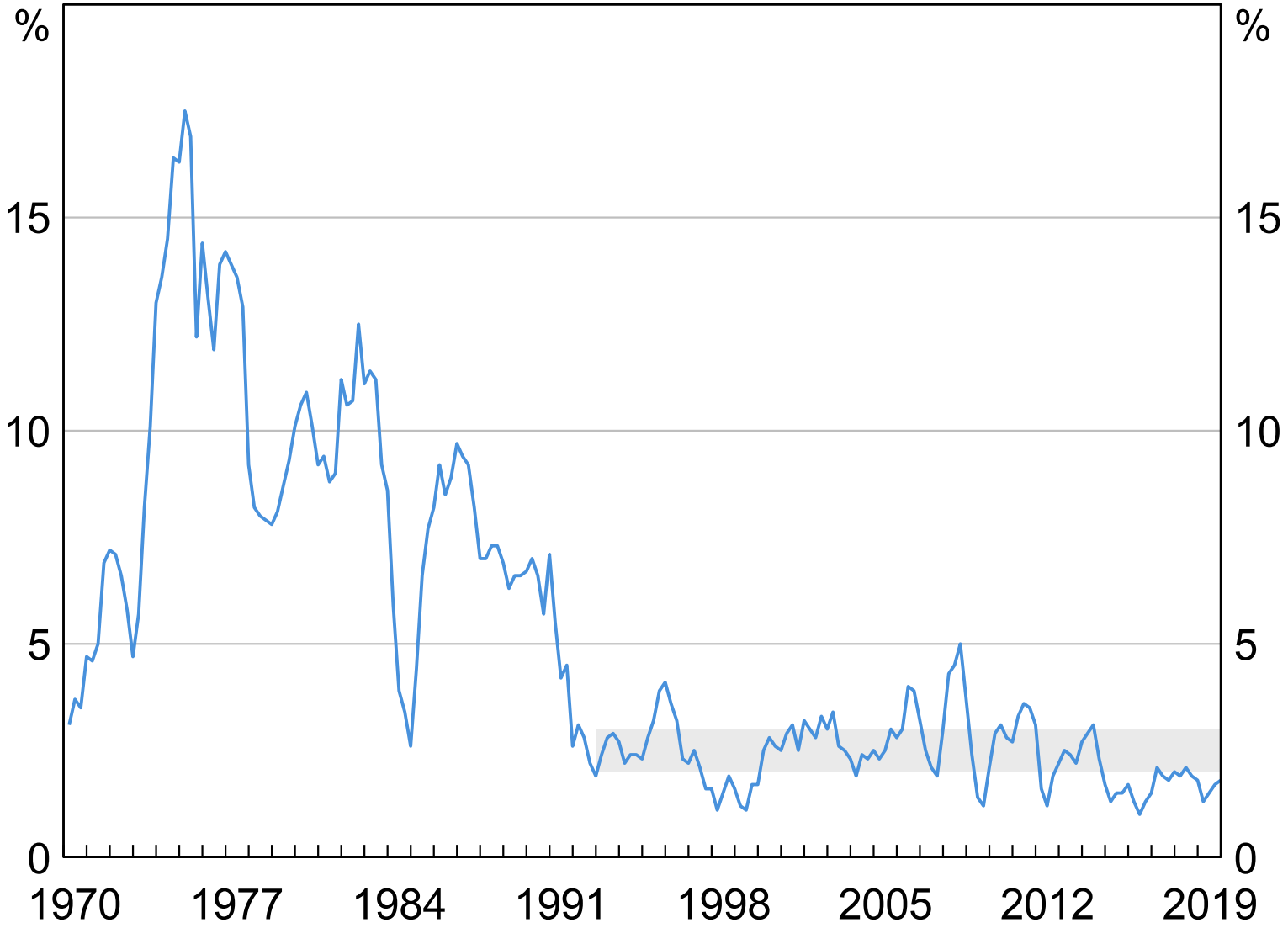
Table 2: Average Consumer Price Inflation by Decade

1970s	1980s	1990s	2000s	2010s
9.8	8.3	3.0	2.8	2.1

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Consumer Price Inflation*

Year-ended

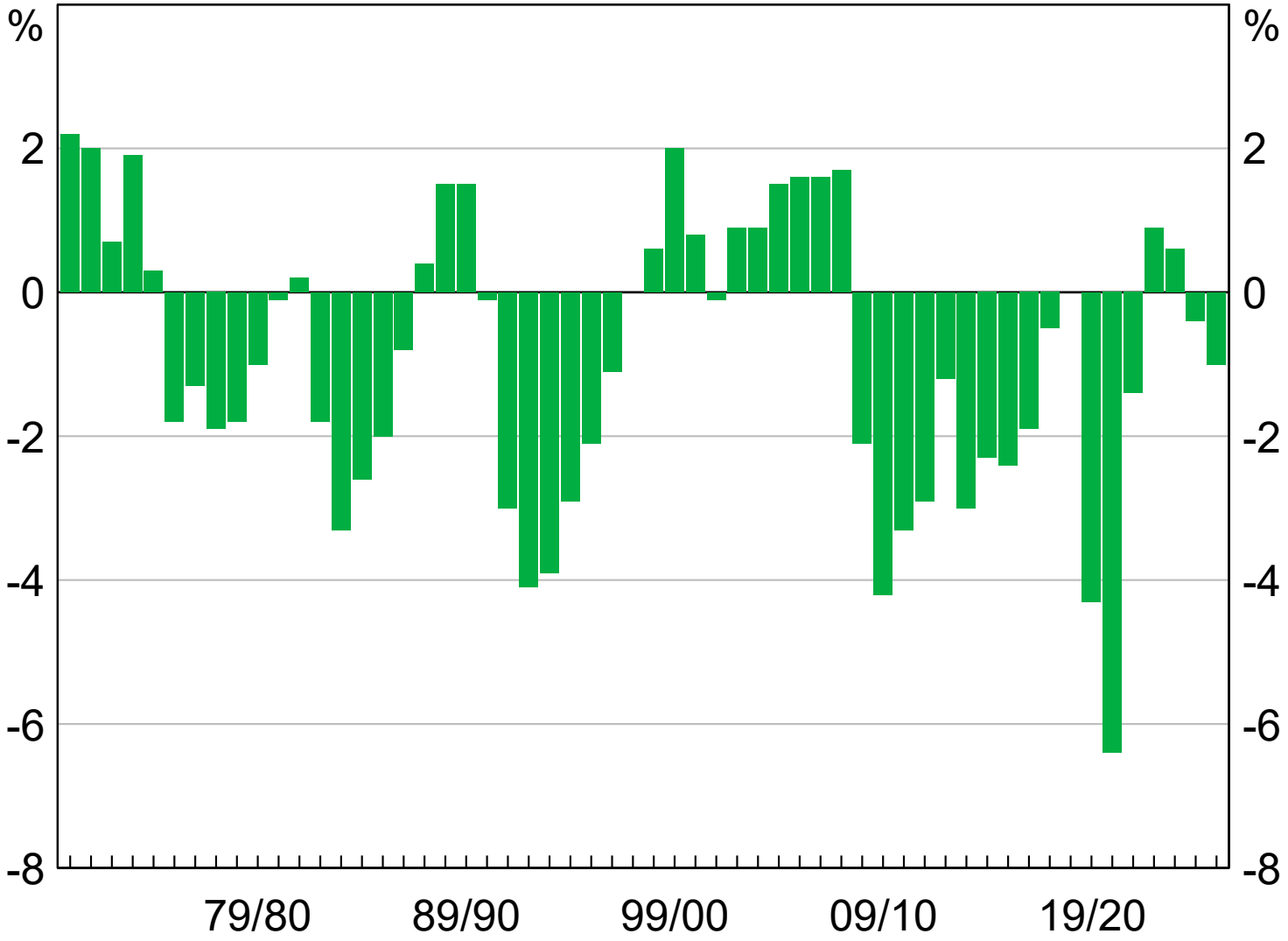


* Excludes interest charges prior to the September quarter 1998; adjusted for the tax changes of 1999–2000.

Sources: ABS; RBA.

Australian Government Budget Balance*

Per cent of nominal GDP



* Underlying cash balance.

Source: Australian Treasury.

Table 3: Comparison of Economic Expansions

Expansion	Duration
Sept 1961 – June 1975	13.75 years
Dec 1975 – Sept 1981	5.75 years
June 1983 – Dec 1990	8.5 years
June 1991 – Dec 2019	28.5 years

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