

Letter to The Editor Re RBA and Interest Rates
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Dear Sir,

The RBA increases interest rates to curb inflation. Such an action ignores the element of inflation which is not caused by internal demand increases such as the cost push inflation resulting from the increase in oil price. This filters through slowly with a significant lag effect into almost all goods and services affected by transport costs. If the RBA is going to continue to take an aggregated measure of inflation which does not adequately distinguish between the two different major variables affecting it, then we will always have business and the population at large suffering unduly. We need a far better measure. In fact many of the measures used by economists are unscientific and need to be redefined.

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