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Costello slippery on oil and crooked on bananas

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Treasurer Peter Costello's attempt to duck responsibility for the inflation rate by arguing it's just petrol and bananas is a sign that the Howard Government is willing to sacrifice the health of the economy for short term political gain, Member for Ipswich Rachel Nolan said today.

Ms Nolan has a background in economic policy. For some time she has been critical of the Howard Government's economic record on the basis that high levels of household debt make Australians vulnerable to a recession which is now overdue.

"The Australian economy is heading for a difficult time as a result of two factors: peak oil and high levels of household debt," Ms Nolan said.

"But instead of facing up to these things, Peter Costello is trying to distract Australians. It's the political equivalent of saying look at the shiny thing over there.

"The era of cheap oil is over. In the future we will still have oil but the current upward price trend will continue – affecting the price of petrol, the medicines and agricultural products for which petrochemicals are inputs and the price of all transported goods.

"Peak oil will continue to drive inflation and interest rates. This is a troubling time for people carrying a lot of debt.

"The problem for Australian households is that many are carrying too much debt. Higher house prices and the culture of credit for unnecessary consumer goods pushed the level of household debt in Australia from 56% of average household earnings in 1996 to 125% in 2002 and in recent months Australians have gone on a credit card binge.

"Under the Howard Government, the traditional Australian value of saving has been totally lost and now families are vulnerable to a weaker economy. The national savings rate has fallen from 10% in 1990 to be negative now.

"This is the real story of the Australian economy: vulnerability to higher petrol prices and too much household debt. It's outrageous for the Howard Government to trot around boasting about low government debt when the people are hocked to the eyeballs.

“The Government has fuelled a culture of credit and is now pretending higher petrol prices are some kind of exception – not a serious economic fundamental.

“The fact that the Howard Government is avoiding the issue is proof that they are managing the politics, not the economy. Australian families should be very nervous about those priorities.

“If the Howard Government was serious about protecting our economy, they would stop fuelling inflation with middle class welfare, they would let the Reserve Bank do their job and they would invest in the public transport and other infrastructure to protect the economy from higher petrol prices.

“By lying about inflation the Howard Government is not doing the right thing by Australians. The best economic advice for Australians is to minimise their debt. There’s not much you can do about the house but now is the time for families to cut back on unnecessary debt. Sell the four wheel drive and don’t put a big screen TV on your credit card.

“The Howard Government is lying when it tells Australians they can whack everything on the Bankcard today and they are leading us all over a cliff when they try to bully the Reserve Bank out of doing their job.

“The Howard Government went to an election on interest rates. They have not prepared for a change in the economic cycle and now they are lying when they say the higher interest rates that are coming are not their fault.”