



# Australian Citizens Party

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## MEDIA RELEASE

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### **Bankers' mate Jim Chalmers trashes Curtin and Chifley's greatest legacy**

Treasurer Jim Chalmers has committed to dumping the policy for which “old Labor” legends John Curtin and Ben Chifley fought hardest—democratic control of the central bank and the banking system.

Chalmers, who calls Australian Banking Association CEO Anna Bligh his “confidante”, yesterday said he would legislate to implement all recommendations of the RBA Review, including the first one which says “The government should remove the power of the Treasurer to overrule the RBA’s decisions.”

This should be deeply shocking to any true Labor Party person who knows their party’s history, and to any Australian who knows their nation’s history.

#### **Curtin and Chifley**

The power that Chalmers has committed to remove is the principle for which the Australian Labor Party fought a pitched battle against the banks in the 1930s.

The fight started in the depths of the Great Depression, when Australian households were suffering under more than 30 per cent unemployment.

In 1930, Labor Prime Minister James Scullin’s Treasurer Ted Theodore turned to the government-owned Commonwealth Bank, which a little over a decade earlier during the first world war had shown, spectacularly, its power to massively boost Australia’s economy with investments in local infrastructure and Australia’s industries.

Theodore directed the Commonwealth Bank to issue £20 million in new notes: one third to lend to farmers; two-thirds to spend on public works to create jobs for the unemployed.

Australia’s currency supply had contracted significantly in the previous few years, which is why the depression was so deep; Theodore’s proposed “fiduciary” note issue would have started to reverse that.

As *Smith’s Weekly* reported on 4 October 1930, the Governor of the Commonwealth Bank, Sir Robert Gibson, replied to the directive:

“Mr Prime Minister and members of the Cabinet, you ask me to inflate the currency by issuing another 20 millions of notes. My answer is that I bloody well won’t.”

Gibson’s defiance was shocking—how could the manager of the bank refuse to follow the orders of the government which owned the bank?

It raised the question: Who was really in charge of the financial system?

Labor split soon after and was not able to force the Commonwealth Bank to do its bidding; instead, Bank of England Governor Montagu Norman’s envoy Otto Niemeyer dictated a 20 per cent cut in government spending across the board, including to wages and pensions.

The controversy over Gibson’s defiance continued to rage, so in 1935 the Lyons government established a banking royal commission, of which Labor Party figure Ben Chifley was a member.

The Royal Commission examined the Gibson incident, and declared in its findings in Chapter VI, 530: “The Federal Parliament is ultimately responsible for monetary policy, and the Government of the day is the Executive of the Parliament.”

It recommended that if conflicts arose between the government and the board of the bank, the government should assure the board it accepts full responsibility for the decision but “it is the duty of the bank to ... carry out the policy of the government.”

In his 1937 election launch speech, Labor Party leader John Curtin demanded this recommendation be implemented, declaring: “If the Government of the Commonwealth deliberately excludes itself from all

participation in the making or changing of monetary policy, *it cannot govern except in a secondary degree.*”

In other words, Curtin was saying that without this power, someone other than the elected government was really in charge.

The Lyons-Menzies government did not implement this recommendation, but when Curtin and Chifley took office in WWII, they enshrined the recommendation in the 1945 *Commonwealth Bank Act*, and it was retained in the 1959 *Reserve Bank Act*, in the clause that empowers the Treasurer to override the decisions of the bank, which Chalmers now intends to remove.

## **Unused**

The strangest thing about the RBA Review making the removal of this power its first recommendation is that it has never been used!

It's there as a backstop, a fail-safe, but there is no history of governments using it to override the RBA.

So why is removing this provision such a priority now?

The answer is because in the last few years of financial turmoil, some Senators, include Gerard Rennick from the LNP, Nick McKim from the Greens, and Malcolm Roberts from One Nation, have been asking the RBA in Senate Estimates why it can create hundreds of billions of dollars to prop up the private banks, but it doesn't invest in things that would benefit the Australian people, like infrastructure.

The RBA has answered, correctly, that such decisions are a matter for the government, and admitted that under the current law, the government could indeed direct the RBA to act as a national bank by investing in the infrastructure needs of the nation.

With the economy in dire straits, and a growing coalition of political forces—including the Greens, One Nation, Katter's Australian Party, the Australian Citizens Party, and individual members of the major parties—calling for a national bank again, the private banking monopoly and the global central bank mafia are in a panic.

They have manipulated this RBA Review to pre-emptively remove this all-important power in case the growing political revolt forces the government to use it.

## **Bank for International Settlements**

The banking elite are an oligarchy, who have always insisted that banking should be a power above government and out of reach of democratic accountability.

With the neoliberal hijacking of economic policy in the 1980s and '90s, they pushed central bank independence to consolidate central banks under the influence of the Bank for International Settlements in Basel, Switzerland, the so-called “central bank of central banks”.

Without the ability of the Australian government to override RBA decisions, it is the banking globalists at the BIS who will be dictating Australia's economic conditions.

John Curtin and Ben Chifley would roll over in their graves to think that a Labor government would hand Australia's financial sovereignty over to this BIS apparatus.

Join the ACP in fighting against this policy, including by campaigning for a government post office bank that would once again do what Curtin and Chifley fought for banking to do—serve the people.

[Read the ACP's submission to the RBA Review here \(PDF\).](#)

[Click here to sign the Citizens Party's petition for a post office people's bank.](#)