

## The three (Labor) stooges behind bail-in

Implementing Australia's bank "bail-in" power, like most demands of the financial dictators at the Bank for International Settlements and the International Monetary Fund, has been a joint project of both major political parties, but it was the Labor government that presided during the 2008 Global Financial Crisis which smoothed its path. Bail-in—saving banks by confiscating bond holdings and deposits—was made law in February 2018, in the form of the *Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Act*, scandalously shepherded through an almost empty Senate by the government of Liberal Prime Minister Malcolm Turnbull and his Treasurer Scott Morrison.

Without the groundwork of three key Labor men it would not have been possible: Prime Minister Kevin Rudd, his Treasurer Wayne Swan, and Swan's chief of staff and principal advisor—our current Treasurer Jim Chalmers.

### Putting financial men at the helm

Immediately after his 2007 election, Rudd had announced a "new era of independence" for the Reserve Bank of Australia (RBA), and begun implementing reforms that reduced government oversight of the central bank and brought bankers and technocrats to the forefront of monetary policy determination.



The three stooges for bail-in. Photos: Wikipedia/screenshot

A similar shift was occurring at the international level, as heads of government joined premier financial forum the Group of 20, which had been formed in 1999 in the wake of the 1997-98 Asian Financial Crisis and Russian sovereign debt default. It was originally a confab of finance ministers and central bank governors committed to putting banks ahead of nations, at the express disapproval of the developing sector. Rudd claims a key role in transforming the forum into a world leaders' summit, the first of which convened in November 2008 after Lehman Brothers went bankrupt in September and international markets and lending froze up. The modicum of credit due him makes him a bit player in what is perhaps the biggest financial heist in modern history.

That is because the G20 is responsible for twin travesties. It coordinated the global bank bailout via the synchronised action of central banks and finance ministers, laying the basis for today's inflation by flooding money into the banking sector, and pulling it out of the real economy when it was needed most. It also pushed bail-in as the supposed alternative to public bailouts. (In reality it is just a more direct way of stealing the public's money to save the banks, imposing the burden directly on households by confiscating the bonds or deposits they hold in a collapsing bank, rather than indirectly in their capacity as taxpayers who ultimately foot the bill for the increasing government debt incurred by a bailout.)

Combined, the bail-in and bailout policies went beyond even a massive rip-off—they represented the germ of a new financial order. Today, the final elements are being arranged for its widespread usage and entrenchment, which involves sweeping aside any democratic checks and balances that might get in the way.

Following up the November 2008 meeting, a G20 summit held April 2009 in London made the fledgling policy of bail-in mandatory for all jurisdictions, establishing the Financial Stability Board under the umbrella of the Bank for International Settlements (BIS), to police progress. The BIS is a *private* central bank that oversees the central banks of nations. (See [The genesis of Austerity](#), AAS, Dec. 2023.)

Then, according to a 27 September 2009 article in the Queensland *Sunday Mail* headlined "Kevin Rudd's G20 force shifts world order", at the 24-25 September 2009 Pittsburgh G20 summit "US President Barack Obama ... embraced the G20 ... as the new premier forum for global governance and economic management", indicating "a tectonic shift in the geographic plates of world power". Rudd, who had reportedly been pushing for this shift for two years, "understood intuitively that the global financial meltdown represented his best opportunity to make it happen", the *Mail* reported.

This picture of events is confirmed by the brag book written by Jim Chalmers in 2013, *Glory Daze: How a world-beating nation got so down on itself*. See the following Documentation section for revealing excerpts (p. 12).

### Blocking real reform

Documents released via WikiLeaks in 2011 (thanks again, Julian!) revealed that appointing the G20 to coordinate the GFC response was designed to block developing nations from organising a new, fair and just financial architecture—on the exact model that is emerging now from the BRICS bloc (Brazil, Russia, India, China, South Africa and others) and collaborating nations. Communications between US

and UK officials in April 2009 expressed concern that an upcoming United Nations conference would hijack the push for the reforms dictated by bankers for bankers.

A confidential summary of a 27 April 2009 meeting between then-US Ambassador to the United Nations Susan Rice, UK Minister for Development Douglas Alexander and the UK's Permanent Representative to the UN, John Sawers, revealed deep Anglo-American concern over a potential disruption of the G20 post-GFC plans for financial reform. The memo, released by WikiLeaks in 2011, stated: "In a 27 April meeting with Ambassador Rice, the UK Minister for Development Douglas Alexander and UK PR John Sawers expressed concern over the potential for the UN 1-2 June financial crisis conference to disrupt the G-20 international financial architecture reform discussions." Both leaders agreed to work with other nations to "monitor preparatory meetings"; head off "the introduction of activist policy language into the outcome document"; "split off more moderate G-77 countries" from the pack of those supporting real reform; and push the G20 as the "proper venue for discussing reform". (Later that year, Sawers was appointed chief of the British Secret Intelligence Service, MI6. For the full story see "[The fight over the post-2008 financial order was rigged](#)", AAS, 27 Feb. 2019.)

Their concerns proved real. The communiqué issued by the UN conference, in the event held 24-26 June 2009, called for the UN to coordinate the crisis response, with measures to make global markets "fair, inclusive and sustainable", supported by a "renewed multilateralism", and reformation of the IMF and World Bank to be more representative of developing countries.

The G20 moved in precisely the opposition direction— to concentrate control over the new financial order in the hands of the same few, powerful nations. The April 2009 London G20 summit—held just weeks before the Rice-Alexander-Sawers meeting—issued a declaration, "Strengthening the Financial System", which granted the Financial Stability Board a "strengthened mandate" to build a "more globally consistent, supervisory and regulatory framework for the future financial sector". While blandly paying lip service to the human cost—literally, "We recognise the human dimension to the crisis"—the document talked passionately about saving the rotten financial system: "We are committed to take all necessary actions to ... ensure the soundness of systemically important institutions", i.e. too-big-to-fail banks.

From there the FSB's international "bail-in" regime was born. At a June 2009 G20 summit the FSB presented the first drafts of the provisions it wanted nations to adopt, to protect Systemically Important Financial Institutions; it would be followed by an intensive global drive to have legislation enacted in all nations. A campaign by the Australian Citizens Party disrupted FSB head, and Bank of England governor, Mark Carney's drive to have all G20 nations signed up to the agenda by the November 2014 G20 Leaders' Summit in Brisbane, which he had demanded just months after the first use of the plan in 2013 in Cyprus. But Carney's deadline was deep-sixed after developing nations, led by the BRICS countries, resisted, resulting in a year-long reprieve for further consultation and impact assessment. The coming years would see dramatic exposure of the real agenda of bail in, such as in Australia, and with it increasing dissent; the failure of attempted bail-ins in European nations; and nations from Italy to India either watering down the rules or rejecting them altogether. (See our webpage "['Bail-in' overseas— horror stories](#)".)

## **Documentation: Chalmers' inadvertent bail-in brag**

In a book released in 2013, *Glory Daze: How a worldbeating nation got so down on itself* (Melbourne University Publishing), now-Treasurer Jim Chalmers made the oft-cited claim that Australia "Avoided the economic and social devastation inflicted on so many other nations by the Global Financial Crisis", skiting about 21 consecutive years of economic growth. Showing that he does not understand the difference between propping up financial markets and advancing the livelihood of the people, he wondered aloud how "we can simultaneously be the world-beating nation" yet people are "deeply disgruntled and unhappy"; we have "rising living standards" and "a strong budget position" but most Aussies still considered our economy "weak and at risk".

Chalmers describes the five years he worked as chief of staff and principal

advisor to Treasurer Wayne Swan, in the immediate aftermath of the 2008 GFC, as “the most rewarding” of his life. Swan, he said, was the “most enduring central character in any study of Australia’s response to the Global Financial Crisis. In spanning the prime ministerships of Kevin Rudd and Julia Gillard, he was the key economic steward for the entire period, while other ministers changed portfolios, retired from politics or went to the backbench.”

Chalmers discussed the “increasing internationalisation” of the role of Treasurer with the onset of the GFC. Swan was in constant contact with the US treasury secretary, IMF directors, and the like. “Central to this”, wrote Chalmers, “was the enhanced role for the G20 that began with President George W. Bush’s attendance at a Washington, DC gathering of finance ministers at the very onset of the crisis. This, combined with dedicated advocacy around the world including from Rudd and Swan in Australia, saw the G20 replace the Group of Seven old economies as the pre-eminent body in the world for solving the world’s heightened economic problems. For much of the crisis its influence dwarfed that of the United Nations...”

Swan attended more than twenty G20 meetings plus World Bank, IMF and APEC gatherings, spending more time overseas than any predecessor, with six international trips in 2008 alone. He helped secure the hosting rights for the G20 in 2014 (though his intention to use this to advance the bankers’ agenda was screwed up by interventions organised by the Australian Citizens Party, see main article).

Swan started focusing on financial stability in mid-2008, ahead of the crash, announcing creation of the Financial Claims Scheme (FCS), which Chalmers stressed was not only about protection for depositors, “it strengthened the ability for regulators to deal with a failed institution”. It had been “recommended by the HIH [Insurance] Royal Commission in 2003 and the global Financial Stability Forum in 2008”, wrote Chalmers. In reality, deposit insurance was a foil to distract from the risk of bank bail-in. Chalmers’ reference to the Financial Stability Forum, the predecessor of the BIS-run Financial Stability Board, is admission of that.

In October 2008, Chalmers and Swan flew to the USA to attend an emergency meeting of the G20 Finance Ministers and Central Bank Governors, where the drive for bail-in was launched. In addition to other meetings, including with “Wall Street bankers and other financial market participants”, Swan addressed the Brookings Institution, where he “argued for a globally coordinated response to the crisis”. Commented Chalmers, “There could be no solution without a truly global response”. Treasurer Swan believed “There was not enough emphasis on a coordinated global response” and the speech proved to be a “preamble” for an “extraordinary series of meetings” with economic ministers from around the world.

“Prime Minister and Treasurer made it a personal priority to ensure that the G20 played a crucial role, and the Treasurer worked closely behind the scenes with his UK counterpart and friend, Alistair Darling, and the Managing Director of the IMF, Dominique Strauss-Kahn, to secure this outcome. Both Rudd and Swan were also lobbying for the G20 to become a leaders’ forum—not just a forum for finance ministers. It was this important work, much of which was done in the early hours of the morning, that was critical in putting the powerful G20 grouping at the heart of the global response to the crisis, and elevating Australia’s standing as a key leader of its implementation.”

This led into the November G20 finance ministers’ meeting attended by George W. Bush, where the G20 governments agreed to an unprecedented fiscal and monetary stimulus. To

... written with passion and verve by one of the Labor Government’s most loyal and respected advisers’. ANNABEL CRABB

# GLORY DAZE

HOW A WORLD-BEATING  
NATION GOT SO DOWN  
ON ITSELF



JIM CHALMERS

be effective, wrote Chalmers, "it had to be deployed rapidly by each member country". Rudd announced Australia's banking guarantee after subsequent discussions with his Special Priorities and Budget Committee. Australia's effective response was thanks to "Decades of reform, an independent central bank, a swift monetary policy response", wrote Chalmers, while admitting that economic recovery in Asia (notably China) did play a role. As the European crisis worsened in 2009-10, Swan participated in discussions about solutions to prevent the contamination spreading. This included encouraging moves to shore up the European monetary union with a fully-fledged banking union, reduction of unsustainable debt and restoration of "fiscal health", i.e. budget cuts.

"In November 2012 the IMF said the [Australian] government's 'timely response to the fallout from the GFC, their prudent economic management, and strong supervision of the financial sector, has kept Australia on the dwindling list of AAA rated countries'", Chalmers boasted. Swan and Chalmers reinforced their commitment to the approved pathway, "doggedly sticking to the strict rules we had set ourselves, limiting new public spending as our economy recovered and banking the improvement to the bottom line." Chalmers compares the fight for the macroeconomic management that "saved Australia" to the hard-fought financial reforms, a.k.a. deregulation, enacted by Hawke and Keating.

"New generations of policy-makers and political leaders will look back on Australia's performance during the global recession and regard it as an imperfect miracle of Australian economic policy-making. My hope is for more than that; that they see it like the Hawke-Keating reforms of the 1980s and 1990s, as another proud chapter in the history of a country whose most stunning successes are etched into the history books by Labor."

It was in 2013 that the Australian bail-in drive began in earnest, following its inaugural deployment that March in Cyprus. Australia was primed and ready to go. In his second stint as Prime Minister, from June to September 2013, Rudd appointed as his chief of staff a senior Treasury official named Jim Murphy, one of the Australian members of the Financial Stability Board and head of the Treasury's Markets Divisions, which first proposed strengthening the powers of the Australian Prudential Regulation Authority (APRA) to include bailin. Notably, after Liberal PM Tony Abbott was elected in September 2013 the reference to Section 11 of the *Reserve Bank Act* in the Statement of Conduct on Monetary Policy (a regular joint RBA-Treasury statement of intention) was immediately removed; today Chalmers is trying to strip that section, which provides the government the power to override RBA decisions, entirely from Australian law. Efficient deployment of the new financial regime that includes bail-in deposit theft, depends on its removal.

*By Elisa Barwick, Australian Alert Service, 21 February 2024*