



Australian Citizens Party

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MEDIA RELEASE

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Pandemic shows up economic breakdown—restructure economy with a national bank

Like the USA's and Europe's, Australia's economy has become a house of cards ready for a puff of breath to blow it over. The COVID-19 coronavirus may be that puff.

Addressing the pandemic emergency is not a question of short-term stimulus; it's an imperative to restructure the economy to make Australia again capable of producing our own economic necessities, including food, fuel, and medicines and health equipment.

To muster and direct the enormous investment required, Australia needs a national bank, modelled on the old Commonwealth Bank which financed a similar economic transformation in WWII.

Genuine financial crisis

The meltdown on global markets overnight—blamed on not just coronavirus but also the oil price—was long overdue.

The US stock market has been faked for years, driven higher by banks and corporations borrowing money for next to nothing to buy up their own shares. Europe is in a deep banking crisis, with most of its banks on central-bank life support, none more so than the giant Anglo-German gambling addict Deutsche Bank, which is capable of triggering a global chain-reaction banking crash.

Australia's economy is centred on a bloated financial services sector, a real estate bubble and related construction, tourism and foreign students, and mining exports. Not only is Australia vulnerable to overseas events because of our reliance on imports, we rely heavily on overseas creditors to lend us the money to pay for those imports and for the investment to keep the property bubble up. This has given us the greatest levels of both foreign and household debt in our history.

Prime Minister Scott Morrison was dead wrong when he claimed today that this is only a viral contagion and not financial contagion—it's a genuine financial crisis.

Last week and this week hundreds of billions have been wiped off the retirement nest eggs of countless Australians forced into the stock market by compulsory superannuation.

Less well known is that thanks to the self-inflicted destruction of confidence in the banking system, growing numbers of Australians have been pulling their money out of the banks. The Citizens Party has picked up indications from multiple sources that a slow, quiet run on the banks is under way. This destruction of confidence is not just due to the banks' recklessness and criminality, but also to the authorities' actions to shore them up, including the move towards negative interest rates and "bail-in"—taking customer deposits to prop up failing banks. The government is pushing its cash ban to trap people in banks, but this is destroying confidence even further.

Restructure the economy

The Citizens Party is named on the principle that citizens must take responsibility for their nation. It is understandable that individuals take precautions to try to guarantee their own financial security, but without political action to change the economic direction of the nation, it could all be for nought.

As King Midas learned the hard way, you may have the golden touch, but you can't eat it.

Australia needs to restructure its economy in the way that was required in WWII, when our national survival depended upon developing the ability to manufacture for ourselves.

Then, the Commonwealth Bank was fully deployed with all the powers of a national bank both to regulate the financial system and to provide credit for a massive investment program in the wartime economic mobilisation. After the war the Commonwealth Bank provided the seed investment to develop our domestic car manufacturing industry, and Prime Minister Ben Chifley intended for the bank to finance his program for post-war reconstruction, beginning with the Snowy Mountains Hydroelectric Scheme. (On behalf of his backers in the private banks on Collins Street, Robert Menzies stopped the Commonwealth Bank from investing in the Snowy Scheme.)

The Commonwealth Bank was essential to the decades of prosperity Australia enjoyed after WWII.

The Citizens Party has drafted comprehensive legislation for a new national bank, called the Commonwealth National Credit Bank (CNCB), to both regulate the financial system and invest in economic development.

The CNCB would welcome investment from Australian superannuation funds, which would enjoy a government guarantee. That capital would be the basis of credit the bank would deploy at a conservative lending ratio into loans to federal, state and local government for infrastructure investments in water, transport and energy projects, and to existing and new productive industries for capital investment.

For instance, crying out for investment is value-adding to our mining exports, which are robbing Australia of wealth if just exported as raw materials. As a 1970 submission to the John Gorton Cabinet noted in terms of bauxite, the difference between exporting raw materials and finished products is immense. In 1970 dollar terms, exporting 1 million tonnes of bauxite earned \$5 million, but processed into alumina it earned \$27 million; processed another step into aluminium ingots it earned \$120 million; and processed the final step into finished aluminium products it earned \$600 million.

The CNCB would emphasise investment into agriculture, especially loans to family farmers, to guarantee Australia's food security. It would invest in oil refining, so Australia can have greater energy security. With its assistance, the government would invest in production of necessary medicines and health equipment. In fact, any economic necessity would be a priority for national investment.

The coronavirus has not caused Australia's economic problems; it has simply shown up the structural failings that already exist. It must be the catalyst for a long-overdue restructuring of the economy that can guarantee economic security and prosperity for all Australians and future generations.

To fight for this policy, [join the Citizens Party](#).