Australian Citizens Party

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MEDIA RELEASE

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Don’t wait—use CEFC to invest now in economic mobilisation and recovery

Australia is borrowing and spending more than $300 billion to put the economy on life support for six months or more. Instead, we should recapitalise and repurpose the Clean Energy Finance Corporation (CEFC) to invest in the industries and infrastructure needed to combat the epidemic and put the economy on a more productive footing going forward.

Parliament sits today (8 April) to approve the Morrison government’s latest spending measures, including $130 billion to subsidise wages of hibernating businesses. This is a huge sum of money to put the economy on life support, but to assess if it’s justified, we must ask: what does it achieve? It’s an attempt to prop up a bloated services sector, which, as the crisis has shown, is “non-essential”. Outside of mass-transport, essential businesses and industries don’t need propping up at the moment—they are booming.

The crisis has also shown, however, that there aren’t enough essential industries in Australia; our vulnerability is we rely far too much on foreign imports. While a lot has been done in a very short time to initiate and scale up production of essential medical supplies in Australia, these are mostly makeshift improvisations. We need to invest in new industries and expanding existing industries that can permanently make Australia’s economy more productive and therefore more essential, and quickly employ laid-off and stood-down service-sector workers.

This is the perfect task for a national bank, either operating as a new standalone institution, or through a revamped Reserve Bank, or even through Australia Post. All of those options, however, would require the time-consuming passage of new legislation. Given the urgency, the government could and should slightly amend the *Clean Energy Finance Corporation Act*, today, to allow this existing public lending institution to be used in an expanded capacity to seed an industrial renaissance.

PROPOSAL: Use CEFC to direct public credit into an urgent industrial expansion

1. The government is borrowing and spending $130 billion to support idle workers of hibernating businesses that are non-essential in this crisis.
2. Australia needs more workers in essential industries, rather than non-essential services, meaning we need more productive industries.
3. The government has appointed Australian former Dow Chemical boss Andrew Liveris to head its new manufacturing taskforce. Liveris has good ideas for a domestic petrochemical industry, a coastal shipping service, and value-adding agricultural production.
4. Australia needs a public credit mechanism to invest in the infrastructure projects and industries that will make the economy productive again and put idle workers into essential jobs.
5. In this period there is little time to legislate for a dedicated public bank, or even for revamping the Reserve Bank or Australia Post to function as public lending institutions.
6. The Commonwealth government does have one public lending institution at its disposal, the CEFC, which invests $10 billion in renewable energy projects.
7. With a few minor amendments that could be passed while Parliament sits today, the CEFC’s mandate could be expanded to authorise it to invest in any infrastructure project and industry; its capital could be increased; and it could be authorised to act as a bank and create credit at a conservative lending ratio of 10 to 1.
8. For instance, if the CEFC’s capital is increased to $50 billion, it could lend up to $500 billion for projects and new industries that put people to work now. This lending would be backed by the full national wealth—or full faith and credit as Americans would say—of the Commonwealth of Australia.
9. The CEFC operates under an investment mandate set by two ministers through regulation, not legislation. The main change the CEFC would require is for these two government ministers to revise the current investment mandate to authorise lending for infrastructure projects and industries that could be assessed in cooperation with the National Coronavirus Coordination Commission and Andrew Liveris’s national manufacturing taskforce.
10. This proposal is predicated on the federal and state governments also expanding coronavirus screening and testing, to protect the expanded essential workforce.

Precedent of Reconstruction Finance Corporation

A precedent for adapting the existing CEFC to invest in expanding essential industries is US President Franklin Roosevelt's masterful use of the Reconstruction Finance Corporation (RFC) to fund the job-creating infrastructure projects that put Americans to work in the Great Depression.

The RFC had been established in January 1932 to try to bail out failing banks and railroads, with limited success. When Roosevelt took office in March 1932, he took advantage of the fact that the RFC was already capitalised by Treasury and didn't require Congress to legislate funds. Intervening in the most troubled parts of the depression-wracked US economy, the RFC:

- stabilised the banking system;
- gave desperately-needed loans to save farmers;
- provided credit to businesses to get the economy moving, which private banks were largely unwilling to do;
- helped save homeowners from eviction by financing the mortgage programs that evolved into the Federal National Mortgage Association (Fannie Mae);
- invested the capital for two export-import banks to finance international trade;
- made loans to federal government agencies providing relief from the depression including the Public Works Administration and the Works Progress Administration, for bridges, tunnels, canals, dams, electrification and sanitation projects, as well as loans for disaster relief, and loans to state and local governments;
- significantly expanded its activities in WWII to fund the war effort.

The RFC undertook a lot of its lending activities through subsidiaries, some of which still exist today. The CEFC is also authorised to create subsidiaries, useful for specialised lending overseen by experts for agriculture, manufacturing, and infrastructure etc.

Like the RFC was for FDR in 1933, the CEFC is the flexible option to start directing credit into an industrial renaissance immediately. As Australia comes through the pandemic and life and Parliament return to normal, Parliament should legislate a full national bank that can absorb the expanded CEFC.

Call or email your MP today to tell them to support this proposal.

Click here to sign the petition: For national survival, Australia needs a national bank—now!
