



Australian Citizens Party

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MEDIA RELEASE

17 June 2020

Seize opportunity for dedicated national development bank to transform economy

Under the emergency conditions of the unfolding COVID-19 pandemic in March, the Citizens Party proposed expanding the Clean Energy Finance Corporation (CEFC) into an emergency national development bank to invest in crucial infrastructure and industry. An arcane parliamentary rule has blocked that proposal from being introduced as legislation; however, combined with the lifting of pandemic restrictions, it has created an opportunity to legislate a more powerful, dedicated development bank that can provide permanent institutional support for the productive industries that can secure Australia's long-term prosperity.

The arcane parliamentary rule is a requirement that any bill introduced into Parliament involving increased government spending must be accompanied by a message from the Governor-General giving permission for the bill to be introduced. In practice, this means that only bills from the government party can involve extra government spending, which is an extra-constitutional (meaning outside the Constitution) measure that entrenches the control of political parties (also not in the Constitution). This rule stopped Bob Katter MP from introducing the bill to expand the CEFC into a national development bank, because it involved expanding an existing authorisation for government spending.

With the changing circumstances of the pandemic, however, including the fact that Parliament has returned to a regular sitting schedule, this has created the opportunity to legislate a preferred option, which is a dedicated national development bank, rather than the ad hoc CEFC option. The new proposal is for an Australian version of the National Infrastructure Bank Act of 2020 bill which was recently introduced in the US Congress, combined with an updated version of Australia's Commonwealth Development Bank that supported industry from 1959 to 1996.

[The legislation for the US National Infrastructure Bank](#) is based on the principle laid down by inaugural US Treasury Secretary Alexander Hamilton in his First Bank of the United States: use the credit of the government to foster the productive capacity of the nation through investment in economic development. This approach became the cornerstone of the American System of political economy. The legislation acknowledges Hamilton and subsequent examples of national banking in US history, including the Second Bank of the United States, Abraham Lincoln's national banking system, and Franklin Roosevelt's Reconstruction Finance Corporation.

Australia's Commonwealth Development Bank (CDB) was a specialised lender to farmers and small industrial businesses. In "[Who remembers the Commonwealth Development Bank?](#)", economist Dr Evan Jones noted: "The survival and success of the CDB in an adverse finance sector culture is of enormous significance in Australian economic history. The bank, through the skills of its specialist staff, lent to farmers and businesses that the other banks wouldn't touch. There was flexibility in loan arrangements during hard times. In spite of its 'marginal' portfolio, the bank managed to return a consistent and increasing profit." Importantly, that profit for the bank reflected real productivity from the farms and industries it supported, for the benefit of the nation.

Think big!

The potential industrial boom Australia would experience with a national development bank stands in stark contrast to the Morrison government's supine measures to boost the economy. PM Scott Morrison on 15 June announced \$72 billion in infrastructure would be fast-tracked, creating around 66,000 jobs. With the Roy Morgan Research Centre reporting combined unemployment and underemployment of 24.5 per cent, Morrison's program is a fraction of what Australia needs!

Infrastructure: Australia is running an infrastructure deficit, which is the amount that should have been invested but wasn't, estimated by Infrastructure Australia to be \$600 billion. The neoliberal Morrison government would faint at the prospect of funding this much spending, but it's not mere spending, it's investment; and instead of funding it out of the annual budget, it could be funded through the national development bank. The US National Infrastructure Bank Act of 2020 provides for US Treasury bonds to establish start-up capital of \$500 billion that will be the basis for upwards of \$4 trillion in lending for infrastructure projects. An Australian national development bank could raise capital from issuing \$50 billion in bonds to Australian superannuation funds and other Australian

investors, which would be a guaranteed investment, against which it could lend up to \$500 billion, not just on catch-up infrastructure in the cities, but on nation-building water, power, and transportation projects.

Industry: Australia could experience an industrial boom, if the thousands of small engineering workshops and specialised manufacturers around the country could get some backing for their initiatives. As one high-technology engineer told the Citizens Party in March when the government announced it would spend \$130 billion to pay workers to stay home: "Take \$5 billion and give it to 1,000 engineering firms, not to spend on houses or cars but to employ people to progress their ideas to market, and at least you'll have production; some of the firms will fail, but 10 will become bigger than BHP!" A national development bank would not only supply funding, it would provide expertise and advice in networking and marketing. Dr Peter Brain, Executive Director of the National Institute of Economic and Industry Research, [explained in a must-watch 3 June interview with the *Citizens Report*](#) that this is how nations like China, South Korea and Norway have been very successful in developing their industries.

Right now Australia is a ship in a storm, with a tourism marketing executive and investment banker at the helm instead of a captain. The Australian people need to get behind this vision for what Australia could become if we drop the ideological baggage and embrace policies that work, starting with a national development bank. Legislation for this bank will soon be introduced into Parliament—[join with the Citizens Party to fight for it!](#)

Click here to sign the petition: [For national survival, Australia needs a national bank—now!](#)