



Australian Citizens Party

Craig Isherwood, National Secretary

PO Box 376, COBURG, VIC 3058

Phone: 1800 636 432 **Email:** info@citizensparty.org.au **Web:** citizensparty.org.au

MEDIA RELEASE

15 July 2020

Are Australia's political leaders serious about diversifying trade and investment? Establish a national development bank!

A Parliamentary inquiry into diversifying trade and investment is an excellent opportunity for a public discussion of the immense benefits of a national development bank. Concerned Australians should make submissions by the 31 July deadline to insist the inquiry take a detailed look at the national bank solution, which offers the best possible way to foster the development of new industries for trade without the need for foreign investment.

Click here for the Joint Standing Committee on Trade and Investment Growth's [Inquiry into Diversifying Australia's Trade and Investment Profile](#).

For four decades Australia has led the world in embracing the neoliberal tenets of free trade and deregulation. In that time successive governments dismantled all support for Australia's domestic industries and privatised our national banking institutions, the Commonwealth Bank and Commonwealth Development Bank. The results are now in, and they're not good.

In 2018, Harvard University's Atlas of Economic Complexity ranked Australia 87th of all countries, between Uganda (86) and Burkina Faso (88); in 1995, the year the index started, Australia ranked 55th. Economic complexity is: "A measure of the knowledge in a society as expressed in the products it makes", [Harvard's Atlas website explains](#). "The economic complexity of a country is calculated based on the diversity of exports a country produces and their ubiquity, or the number of the countries able to produce them (and those countries' complexity). Countries that are able to sustain a diverse range of productive know-how, including sophisticated, unique know-how, are found to be able to produce a wide diversity of goods, including complex products that few other countries can make."

By contrast to Australia, Japan has topped the complexity index since ranking began, while in the same period South Korea has risen from 21st to 3rd, between Switzerland (2nd) and Germany (4th), and China has risen from 46th to 18th.

Australia's plunge down this complexity ranking means our economy has lost know-how, and badly. At the end of WWII Australia was capable of manufacturing any machine tool we required; developed a car industry that at one stage included up to five local manufacturers; and was an early pioneer in computing and space, being only the third country to launch a satellite from its own territory. We have regressed into an economy overly dependent on raw materials exports, tourism and foreign students (the latter two also classified as exports), with an oversized financial services sector and housing market, and little else. Because we export unprocessed raw materials, but import sophisticated products to maintain our advanced-economy living standard, we can't pay our own way, and have therefore run up a massive foreign debt.

The coronavirus pandemic brought Australia's self-inflicted decline into sharp focus. The shut-down of global supply chains exposed how little we manufacture for ourselves, even essential health equipment. The government was forced to deploy the army to Shepparton to ramp up production of personal protection equipment at the only PPE manufacturing company left in Australia (founded by a member of the Citizens Party). Any number of global crises, including war and a global financial meltdown, would have exposed the same systemic vulnerabilities.

This situation must be addressed—urgently—but how? Australia's own history provides the answer: we did it in WWII when it was a matter of do-or-die necessity. And we did it with a national bank.

The lesson of WWII is that Australia is capable of rapid economic change. In the wartime economic mobilisation we developed a capacity to manufacture virtually anything needed for the war, to the highest level of sophistication. We funded this unprecedented economic transformation by ourselves, without foreign investment. All this was possible thanks to the Commonwealth Bank, which under Prime Minister John Curtin and Treasurer Ben Chifley in the war years was at the peak of its powers as a national bank. The Commonwealth Bank through both direct lending and through raising war loans from the public funded the necessarily massive increase in government spending that was directed into war production.

In the war years, while Australian Commonwealth government debt soared from around 60 per cent of GDP to 120 per cent, the proportion of that debt owed overseas plunged from around 40 per cent at the start of the war to less than 10 per cent in 1944—Australia demonstrated it could fund itself without foreign investment! Due to this debt being owed to Australians, and not overseas, government debt repayments stayed in Australia and successive governments were able to reduce Commonwealth debt from its peak of 140 per cent of GDP in 1948 to less than 10 per cent of GDP in the early 1970s while still growing the productive economy.

Bring back a national development bank!

Australia could again transform into a manufacturing powerhouse if the government is prepared to back industrial innovators and entrepreneurs with a national development bank. The Citizens Party and Bob Katter MP are working on a bill for a national development bank to introduce in Parliament in coming months. A national development bank could:

- Fund, and support through technical and trade advice, the many small industrial entrepreneurs who strive to develop products that are too often lost overseas due to lack of support, which will foster growth in domestic manufacturing and diversify trade;
- Make loans to local and state governments and federal agencies for public infrastructure projects that will both upgrade the productivity of the economy and create demand for expanded domestic production of steel, cement, and machinery;
- Harness a significant portion of the \$3 trillion currently in Australian superannuation savings to invest in Australia's economic development through the sale of bonds for a guaranteed return (instead of the ridiculous situation of Australian super being invested overseas while Australia tries to drum up investment from overseas).

This is the message we need to get to Members of Parliament on the Joint Standing Committee on Trade and Investment Growth. Take the time to make a submission today!

For information on the inquiry, including making a submission, click here for the Joint Standing Committee on Trade and Investment Growth's [Inquiry into Diversifying Australia's Trade and Investment Profile](#).

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