

# Shut down fascist BIS bankers' cabal!

By Elisa Barwick

The battle we wage today against an unelected, unaccountable, global bank—the Bank for International Settlements (BIS)—dictating our national economic policy, including “bail-in”, continues a century-long war.

Australia has its own history in this fight, with leaders such as future Prime Minister Ben Chifley arguing in 1937 that because banking “affects almost every phase of national life”, it must be under government control; and another future PM, John Curtin, in a 1937 Fremantle Town Hall speech, demanding legislation to give the government national control of credit, interest rates and the direction of investment into the economy. “If the Government of the Commonwealth deliberately excludes itself from all participation in the making or changing of monetary policy, it cannot govern except in a secondary degree”, he warned. Indeed, the 1937 Royal Commission into the Monetary and Banking System declared that the elected government is the ultimate authority when it comes to finance, given that “the monetary and banking system is an integral part of the economic system”. (Almanac Vol. 10 No. 6, AAS 27 Feb. 2019)

Measures by the subsequent Curtin-Chifley government, to put government control of banking into effect, were fought by the private banks and overturned by the High Court and the Privy Council. In 1924 Prime Minister Stanley Melbourne Bruce, on instructions from London, replaced the Governor of the Commonwealth Bank with a board of businessmen. New South Wales Premier Jack Lang (1925-27) revealed that a London conference “had decided to bring the Dominion banks under the control of the Bank of England. The idea of a world-wide system of central banks was at the core of the plan.” In 1959 the commercial and central banking functions of the Commonwealth Bank were split up, with the Reserve Bank established as Australia’s new central bank—ending government control over banking. Its first Governor was London School of Economics-trained bureaucrat H.C. “Nugget” Coombs, who described himself as a member of “the international freemasonry of central bankers”.

## Nazi BIS

Over the course of the 20th century, the Bank for International Settlements was a key element in establishing a global central bankers’ club. The BIS was established in 1930, nominally to administer reparations payments owed by Germany after World War I. Bank of England Governor in 1920-44 Montagu Norman was its key architect, in collaboration with the German Reichsbank President Hjalmar Schacht, who was soon to become the Nazi finance minister.

In what was a first for an international financial organisation, the BIS was founded by international treaty, signed by governments at the Hague on 20 January 1930. Founding members were the central banks of Britain, France, Germany, Italy, and Belgium, and consortia of banks from Japan and the USA. The statutes of the BIS charter made the bank virtually untouchable. Property and assets were immune from seizure; senior management held diplomatic status; all bank officials were immune for life under Swiss law; all officials



The BIS has profited from wars and financial crises, including the 2008 crash. It will continue to do so until it is shut down. Photo: Twitter

enjoyed tax exemption; and Swiss authorities had no jurisdiction over BIS premises. The bank does not issue minutes or report on its meetings, or even release attendance lists, despite that all staff are technically public servants. The bank’s statutes can only be altered with the consent of all signatories to the Convention, and the bank can only be shut down by a three-quarters majority vote of a General Meeting.

With the failure of efforts to shut down the BIS after World War II for its collaboration with the Nazis, the bank promoted itself as a transnational facilitator for a new, united Europe—with a role in financial coordination, international payments, foreign exchange transactions and a proposed single currency. This was to open an era in which international banks could reap massive profits funnelling money back and forth across the globe with little oversight.

American banker Gates McGarrah, the first president of the BIS, told *Nation’s Business* magazine: “The Bank is completely removed from any governmental or political control. No person may be a director who is also a government official. The Bank is absolutely non-political and is organised and operated on a basis purely commercial and financial, like any properly managed banking institution. Governments have no connection with it nor with its administration.”

This was revolutionary: a private and unaccountable bank, but founded by governments and operating with full government backing and sovereign immunity. Despite having no legal authority over governments and no official powers of enforcement, it is able to set regulatory and supervisory policies for governments worldwide.

The full story of the origins of the BIS is a topic for future instalments, but the Genoa Economic Conference of 1922, held in Italy on the topic of rebuilding post-WWI Europe, played a key role. It concluded that financial stability was a key factor to be established by central banks independent of “the influence of the political order”, meaning democracy, and recommended cooperation between central banks; the Bank of England’s Norman was entrusted with organising future summits on the matter.

In 1921 Norman had written a paper on central banking, stressing that “Autonomy and freedom from political control are desirable for all Central and Reserve Banks.” In discussion with New York Federal Reserve chairman Benjamin Strong he referred to the BIS as a “private and eclectic Central Banks’ club”.

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## Two months to make our voices heard!

With the IMF demanding Australia adopt a full bail-in regime (p. 3), and our banks facing intensifying financial headwinds from the collapsing housing bubble, now is the time to escalate our campaign to generate enormous heat on all elected representatives. This can be especially effective in the lead-up to a federal election.

If Scott Morrison calls the election for late May/early June, it is possible that the Senate committee inquiry into our bank separation bill, which is due to report by 13 May, might be extended. We can't count on it, but if it happens it would mean a longer inquiry, rolled over into the new Senate. If Labor wins the election, the banks' representative Liberal Senator Jane Hume will no longer be chair of the committee; rather it will be Labor Senator Chris Ketter.

Calls to the committee are gearing up, with Senators' secretaries telling CEC supporters that they are getting "a lot of calls on this bill". One Senator's office said they're still trying to figure out how to respond to all these emails! These calls serve to remind the committee that they have to be credible in the public's eyes. They need to hear from experts, under parliamentary privilege. Questioning and discussion cannot occur in written submissions. Without hearings it is just a pre-determined formal process! If the committee refuses public hearings, the question will ring out—who are they covering for? The decision on whether to hold hearings is Hume's, as head of the committee, but if she comes under pressure from

her fellow Senators it will help. If she refuses hearings she will have exposed herself as a shill for the banks. This committee (with a couple of different Senators) approved bail-in a year ago; now, it is time for them to redeem themselves. It's the pressure and the process that will drive the political change; a revolution to break through business as usual.

### What to do:

- Put in your submission to the committee ASAP. The deadline is 12 April.
- Call Senators Hume and Ketter to demand hearings (details p. 4). Don't be put off if told by some staffer about this or that procedure. Please report anything significant.
- If you have any contact with your local MP, who unlike some of these Senators, *is* up for re-election, tell them their party needs to support this drive for banking separation if they want to get re-elected. If they get enough heat they may call their party's Senator/s on the committee themselves.


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Norman insisted that the bank's constitution must allow it to be completely independent of politicians. Adam LeBor, who documented the BIS history in *Tower of Basel* (2013, PublicAffairs), observed, "they had created a bank beyond the reach of either national or international law".

### Case in point: Nazi gold

The failed effort to shutter the BIS at the 1944 Bretton Woods monetary conference held in New Hampshire, USA, was motivated by outrage at the "neutral" BIS's assistance to and legitimisation of the Nazis. The banking technocrats' ambition to be free from political interference and follow so-called independent banking rules, was its excuse.

After the Nazi annexation of Austria in 1938 the BIS accepted the transfer of the Austrian National Bank's gold reserves and its 4,000 BIS shares to Berlin. After the Nazis invaded Czechoslovakia, the BIS transferred that country's gold to Germany, most of which was held in accounts at the Bank of England. According to LeBor, Montagu Norman insisted the transfer order go through. As long as the paperwork was in order, formal procedures must be followed. Norman believed in business as usual, no matter what. Observed LeBor, "nothing could interfere with the bankers' sacred neutrality". In response to demands he intervene to disallow the transfer, Norman wrote, "I can't imagine any step more improper than to bring governments into the current banking affairs of the BIS. I guess it would mean ruin."

In the words of Henry Morgenthau, the US Treasury Secretary, the BIS had become "a symbol of Nazi instrumentality". As LeBor concluded, "Norman's precious

independence for both the Bank of England and the BIS had been bought at a high price—in mountains of gold ingots to pay for steel to build bombs that would soon rain down on London."

The BIS continued to honour transactions initiated by the Nazi government until the end of the war, providing access to the financial networks it needed. Interest payments on BIS investments in Germany were vital to the bank, providing 82 per cent of its income at one point. The BIS allowed Germany to secure BIS shares held by invaded countries, increasing control of the bank by the Allies (Germany, Italy, Japan) to 67.4 per cent. Vice President of the Reichsbank and BIS board member Emil Puhl (later found guilty of war crimes) described the BIS as the "only real foreign branch" of the Reichsbank.

LeBor succinctly concluded that the BIS's powerful position in global finance was achieved by sleight of hand. The key for the outlandish mandate of the BIS, "was to present decisions, policies, and actions as 'technical' and 'apolitical', of no concern to the average informed citizen. In fact, the opposite was true. There could hardly be anything more political than the handing over of national powers to unelected supranational bodies, while the necessary financial mechanisms were arranged and managed by a secretive and completely unaccountable bank in Basel."



A bar of Nazi gold, stamped with a Swastika. Photo: BBC