

# When fascists cried ‘freedom’ to protect the banks

By Robert Barwick

One of the heroes of Australia's World War II fight was not a person, but an institution—the Commonwealth Bank. Prior to the war, the United Australia Party (UAP) governments of Joseph Lyons and Robert Menzies had been ideologically opposed to using the Commonwealth Bank for any purpose, even to relieve unemployment in the Great Depression. The private banks that had happily fuelled credit growth in the 1920s turned off the credit taps in the depression, intensifying the misery, and they used their influence over the UAP to ensure the government didn't use the Commonwealth Bank as an alternative source of credit for the economy. This suppression of the Commonwealth Bank continued into the first three years of WWII. But when Prime Minister John Curtin and his Treasurer Ben Chifley took office in 1942, they unleashed the full potential of the Commonwealth Bank to fund their war mobilisation, with spectacular results. They dramatically expanded the use of Commonwealth Treasury Bills by 7,300 per cent over the next three years, to finance a near-tripling of government expenditure on an amazing industrial mobilisation that by 1945 had transformed Australia from an agrarian economy into a manufacturing powerhouse.

Whereas before the war Australia's private banks had blocked the use of the Commonwealth Bank, during the war they muted their opposition, mindful of the need to be seen to support the war effort. Moreover, Curtin and Chifley used emergency war powers to massively expand the Commonwealth Bank's responsibilities, which included far stronger regulations over the private banks to control their output of credit. Validated by the undeniable success of the Commonwealth Bank-led banking system during the war, on 9 March 1945, Treasurer Chifley moved the Commonwealth Bank Bill of 1945, to make the war-time powers of the Commonwealth Bank permanent so the government could continue to direct credit into the economy, in keeping with its commitment to post-war reconstruction and full employment. Chifley said, "The legislation that I am proposing today is based on the conviction that the Government must accept responsibility for the economic condition of the nation. ... Accordingly, the Government has decided to assume the powers which are necessary over banking policy to assist it in maintaining national economic health and prosperity."

With the war over, however, the private banks flexed their muscles, and using the Melbourne City Council as a proxy they challenged Chifley's bill in the High Court. Cleverly, instead of challenging the whole bill, Melbourne City Council—situated around the corner from the powerful Collins Street banks—objected to the provision requiring all local governments to bank with the Commonwealth Bank. They won their case in 1947, on the technicality that the Constitution did not give the Commonwealth authority over local government. In *Labour and the Money Power*, Peter Love recorded the government's response:

"When Cabinet met on Saturday 16 August, [Attorney-General] Evatt explained the High Court decision.



The Money Power: the Associated Banks, the cartel of private Australian banks, meeting in 1947 to plan their campaign against Chifley's bank nationalisation. L.J. McConnan is presiding at far right.

Chifley [by then PM following Curtin's death], who seems to have given the matter some prior thought, then canvassed two options. They could wait for the banks to challenge the substantial sections of the legislation, or they could seize the initiative and nationalise the private banks. After some initial hesitation, they did what more than fifty years of bitter experience and ingrained suspicion told them they should do: they voted unanimously for nationalisation." It's important to note that this was not an ideological, "communist" decision, as nationalisation had not been Chifley's preferred option; but the banks' refusal to accept the permanent controls of credit in the 1945 bill had forced his hand.

On 18 September 1947 Prime Minister Ben Chifley gave notice to the House of Representatives of a bill to nationalise Australia's private banks, declaring the legislation could "open a long-locked doorway to the development of a monetary and banking system truly adequate to our national requirements and wholly devoted to the service of Australia".

## 'Fascism' vs. 'freedom'

What happened next is an extraordinary chapter in Australian political history which should serve as a cautionary tale of how the powerful can twist concepts of "freedom" to suit their own purposes. When debate erupted on 18 September, Opposition Leader Robert Menzies, heading the newly-formed Liberal Party, declared that "the result of such legislation would be to create a Government banking monopoly exercising a single political control over the financial affairs and therefore the business, industrial, and individual freedoms of Australian citizens". The proposal was "an attack upon the whole basis of democracy and is a grossly improper and tyrannical attempt to exercise power against the popular will", Menzies intoned. With WWII fresh in everyone's memory, he compared the government's policy to Hitler: "In other words, the Government wants to invade the private lives of private citizens in exactly the same way as the German dictatorship did." At a public meeting in the Sydney Town Hall a few days later, Menzies likened the move to "fascism", saying it was part of "the Chifley pattern" of "coming dictatorship in Australia".

A Menzies-type today would get away with making such comparisons, due to public ignorance, but in 1947 the rise of fascism in the 1930s was also fresh in the memory of those present. Chifley rose to his feet and set the record straight:

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“The Leader of the Opposition said that the totalitarianism of Hitler and Mussolini started in the way that this Government is acting. I remind the honourable gentleman that, far from Hitler and Mussolini nationalising the banks, the fact is that *the banks financed them. Nazism and fascism, with their totalitarianism, were fostered by the banks.* ... Honourable members opposite should study history. Those are the facts, but they have no particular bearing on the exercise by this Parliament of the powers conferred on it by the people. I refer to this matter only because attempts are being made to delude the people into believing that the totalitarianism of Germany and Italy started with the nationalisation of the banks. *History shows that the reverse is true.*” (Emphasis added.)

Indeed, Chifley knew that Menzies had been at the centre of the political battles in the Great Depression when Menzies’ friends in the private banks had fought against the Commonwealth Bank, and had sponsored the rise of pro-fascist paramilitary groups like the New Guard, the Old Guard, and the League of National Security to overthrow the Labor government if necessary. Menzies himself in the 1930s had been known for expressing pro-Hitler and pro-Mussolini sentiments.

Chifley spoke the truth inside the Parliament, but the private banks and media drove a comprehensive disinformation campaign outside. Australia’s eight major banks held meetings in Melbourne and Sydney to plan a two-year publicity campaign up to the next election in 1949. Their campaign weaponised the theme of “freedom”, to take the focus off the banks. L.J. McConnan, chairman of the Associated Banks, noted that “the banks will not get far by trying to defend themselves as banks”,<sup>1</sup> so they shifted the focus onto the rising anti-communist Cold War paranoia then starting to grip the Western world. Stoking mass-hysteria was the order of the day: Robert Menzies claimed that if successful, Labor’s next step would be to “socialise the shops or the newspapers, or even, heaven knows, the Churches”.

Employers and industry associations across Australia united against nationalisation. Farmers’ groups that had historically fought against the banks fell in behind the campaign, and

the Graziers’ Association of Victoria even mooted withholding supplies of food and other primary products if the legislation was enforced, effectively threatening to starve the public to turn them against Chifley. The same farmers’ wives who had been devastated when banks foreclosed on their farms during the Great Depression suddenly became the banks’ biggest defenders, under the banner of new organisations such as the United Women Citizens’ Movement Against Socialisation.

In terms of campaign logistics, the banks had a huge advantage: they possessed the names, occupations, and addresses of almost every Australian adult, through their bank accounts—effectively their own electoral roll! Within a week, every Australian started receiving anti-nationalisation letters. Conveniently, the banks were able to deploy their paid staff to lead the campaign, organising thousands of meetings across the country. Closer to the 1949 election, protest committees re-deployed hundreds of paid staff to campaign for the Liberal Party. Historian S.J. Butlin described the anti-nationalisation effort as “probably the most intense and concentrated campaign ever experienced in Australia”. The print media united behind the banks, thundering against “totalitarianism” and “Goebbelsism”.

The campaign worked. In 1949 Chifley lost the election and both the High Court and Privy Council in London ruled against nationalisation. Ironically, for the next 16 years Australia had a prime minister in Robert Menzies who had actually been a fascist sympathiser, and sought to impose actually fascist policies, such as trying to destroy freedom of association by outlawing the Communist Party. Menzies quickly sidelined the Commonwealth Bank—he blocked it from funding the Snowy Mountains Scheme, for instance—and in 1959 he weakened it permanently by removing its central banking powers by splitting off the Reserve Bank. The private banks had won, albeit within an economic framework permanently improved by Chifley’s Labor, involving greater bank regulation and an ongoing commitment to industry and full employment. That would not be weakened until, ironically, Labor PMs Bob Hawke and Paul Keating in the 1980s and ’90s deregulated the financial system and privatised the Commonwealth Bank, restoring to the private banks the monopoly over credit they always craved.

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1. Alex North, “The Neoliberal Australian Labor Party Once Tried to Nationalise the Banks”, *Jacobin*, 26 July 2021.