

Chalmers' RBA reforms: The next chapter in the private hijacking of Australian banking, Part I

One of the most substantial proposed changes contained in the Treasurer Jim Chalmers' Treasury Laws Amendment (Reserve Bank Reforms) Bill 2023 concerns dispute resolution in the event of a disagreement between the government and the Reserve Bank of Australia over monetary policy. It goes to the very heart of who has ultimate control of banking in this nation. Section 11 of the *Reserve Bank Act 1959* provides an effective, albeit convoluted, means of resolving such a dispute, which ultimately weighs in favour of the elected government.

With a new global financial crisis in the offing, and the International Monetary Fund (IMF) and Bank for International Settlements (BIS) demanding actions that make the population, rather than the banks, pay to keep the banking system afloat—something that politicians would be reticent to do given they need their votes to get back in at the next election—such power must be shifted to private financial interests.

The impact of the popular outrage of a mobilised citizenry is already visible. The RBA Reforms legislation was initially supported by the Opposition Liberal-National Coalition but has since been rejected after an intensive popular mobilisation forced the party to reconsider its support. This saw prominent MPs studying the Hansard records from the 1959 debates that we excerpt here—debates in which even the Menzies government insisted on keeping Section 11 powers granting the government ultimate authority over monetary policy. Despite its intention to hand control of banking to the private banks, even it, in the words of Senator William Spooner, representing the Menzies Treasury, insisted that “in the final analysis the Government must reserve to itself the right to disagree with what the bank does”.

The proposed repeal of Section 11 today, and indeed, almost all of the other changes contained in the reform legislation, must be viewed in light of the historical push to erase the potential of the Commonwealth Bank to act in the interests of the people.

Timeline of a bank takedown

Following the 1937 Banking Royal Commission, which upheld the primacy of government control over banking on which Section 11 was based, the private banks financed an effort to take that government power away, acting first through the government of Labor turncoat Joseph Lyons and then, the Menzies government.

1938: A bill to amend the *Commonwealth Bank Act* was introduced by Treasurer Richard Casey under the government of Joseph Lyons, providing for the establishment of a mortgage bank department. The 1938 amendments allowed profits of the bank to be siphoned to private bond holders through the issue of debentures and inscribed stock by which the capital for the new agency was raised.

1949: Final defeat of Chifley's 1947 legislation to nationalise the banks.

The Menzies government was elected on a platform including reform of the banking system and took office in December.

1950: The Menzies government's Commonwealth Bank Bill reform legislation was introduced in March, but

defeated. It was reintroduced in October 1950, but was referred to a Select Committee by March the following year.

1951: On 16 March Menzies invoked a double dissolution. The election was held 28 April 1951. The Menzies Government was returned with a majority in both Houses, enabling the Government to pass the bank reform bill which received assent on 16 July, as the *Commonwealth Bank Act 1951*.

1953: Two amendments to the *Banking Act 1945* were passed, loosening government controls over finance. These included the repeal of section 28 of the 1945 Act which forbade private banks from investing in government securities, or shares listed on the stock exchange without obtaining the Treasurer's consent, opening the door for them to enter the “field of private investment”, and hire-purchase—a lightly regulated bank spinoff that churned out consumer credit. Another repeal paved the way for amalgamations among banks without central bank approval.

A partial split-up of the Commonwealth Bank took place. The Commonwealth Trading Bank was severed from the bank proper, to be subject to same rules as all other trading banks. During 1959 debates Labor Senator Theo Nicholls, South Australia, observed that “In 1953, the powers of the Commonwealth Bank were restricted in order to protect the investments of private banks.”

1957-58: With even numbers in the Senate, two further legislative efforts of the Menzies government were defeated. Those changes formed the substance of the 1959 legislation.

1959: The Commonwealth Bank was finally split up fully. The Commonwealth Bank of Australia was replaced with the Reserve Bank of Australia, confined to central bank activity, which Labor politicians charged would be run by private interests.

Neutering the Commonwealth Bank

This Almanac series will focus on the parliamentary debates that took place over the *1959 Reserve Bank Act*, when the RBA was first created. It marked the commencement of a fully-fledged central bank along the lines mandated by international financial authorities, the Bank of England and the Bank for International Settlements. The demand was that control of banking, in any given nation, must be taken from governments and handed to private interests. (See *The genesis of austerity*, available at citizensparty.org.au)

But first, in order to understand some of the changes introduced in the 1959 legislation, a brief look at amendments made in 1951 is necessary.

1951 legislation

The relentless bank reforms of the Menzies Government showed that it was truly devoted to paying back the bankers who got it elected. As Labor Senator for Victoria Charles Sandford made explicit during debate: “The Government is now starting to make the pay-off for the financial and physical assistance rendered to anti-Labour parties during the 1949 election campaign.”

The private banks had tried to neuter the Commonwealth

Bank since its inception in 1911 with the power to utilise banking for the benefit of the entire nation. Under Governor Denison Miller the bank achieved great feats, funding the war effort as well as agricultural, industrial and infrastructure development.

In 1924 the Commonwealth Bank Board was established, which included eight directors who were often private financiers and business magnates, to put a block on the governor utilising the bank for the benefit of the nation. That amendment was wound back by Curtin and Chifley's 1945 banking legislation. An advisory council of six was established at that time, but the governor was again responsible for managing the bank. The Menzies government's 1951 legislation re-established a board of directors, of ten members.

A further change made by the 1951 legislation concerned dispute resolution in the event of a difference between the government and bank on monetary policy. The 1951 law did not remove the government's superiority in this area—something attempted by today's RBA Reforms bill—but it did make it a lot more difficult to enforce.

In what was Section 9 of the 1945 *Commonwealth Bank Act*, the dispute resolution segment simply states that "If the Treasurer and the Bank are unable to reach agreement, the Treasurer may inform the Bank that the Government accepts responsibility for the adoption by the Bank of a policy in accordance with the opinion of the Government and will take such action (if any) within its powers as the Government considers to be necessary by reason of the adoption of that policy." (See Fig. 1)

Compare this to the lengthy section 9 of the 1951 Act, which introduces the language and long-winded process that we find in today's 1959 *Reserve Bank Act*. (See Fig. 2)

The 1959 bill

As with today's legislation, debate over the 1959 Act included significant focus on this clause, to be contained in Section 11 of the new bill.

The cast of characters include many with whom the reader will be familiar: Labor greats Gough Whitlam, Jim Cairns, Clyde Cameron and Frank Crean (Simon Crean's father). Other stellar defenders of the Curtin-Chifley banking legacy included Labor Opposition leader Senator Nick McKenna, Senator Bill Aylett from Tasmania and ALP MP for Banks, NSW, Eric Costa among many others we will meet.

In a remarkable parallel to today Gough Whitlam, Member for Werriwa, NSW, railed that no reason was provided for the changes included in the bill: "there is no suggestion by anybody who has introduced these bills that it is necessary, as a matter of economic theory, that this legislation should be implemented. There is no suggestion that because of malpractice it should be introduced. There is no suggestion that the public interest requires it."

Senator McKenna did the same, declaring that the bank works extremely well as it is! "Where was the demand for the proposed changes to the Commonwealth Bank? There is certainly no demand from the people of Australia for them. The Commonwealth Bank itself has made no request for easier machinery. The demand comes—this is not denied—from the private banks themselves."

The real purpose

The real purpose of the bill was admitted during debate, both by the government and the opposition. Not only was the intention to prevent nationalisation of the private banks ever again, but to forestall anything even hinting in that direction. To do so, the Commonwealth Bank would be dismantled,

Fig. 1

<p>Difference of opinion between Government and Bank on questions of policy.</p>	<p>9.—(1.) The Bank shall, from time to time, inform the Treasurer of its monetary and banking policy.</p>
	<p>(2.) In the event of any difference of opinion between the Bank and the Government as to whether the monetary and banking policy of the Bank is directed to the greatest advantage of the people of Australia, the Treasurer and the Bank shall endeavour to reach agreement.</p>
	<p>(3.) If the Treasurer and the Bank are unable to reach agreement, the Treasurer may inform the Bank that the Government accepts responsibility for the adoption by the Bank of a policy in accordance with the opinion of the Government and will take such action (if any) within its powers as the Government considers to be necessary by reason of the adoption of that policy.</p>
	<p>(4.) The Bank shall then give effect to that policy.</p>

Fig. 2

No. 16.	<i>Commonwealth Bank.</i>	1951.
<p>Difference of opinion between Government and Bank on questions of policy.</p>	<p>9A.—(1.) The Bank shall, from time to time, inform the Government of the monetary and banking policy of the Bank.</p>	
	<p>"(2.) In the event of a difference of opinion between the Government and the Bank as to whether the monetary and banking policy of the Bank is directed to the greatest advantage of the people of Australia, the Treasurer and the Board shall endeavour to reach agreement.</p>	
	<p>"(3.) If the Treasurer and the Board are unable to reach agreement, the Board shall forthwith furnish to the Treasurer a statement in relation to the matter in respect of which the difference of opinion has arisen.</p>	
	<p>"(4.) The Treasurer may then submit a recommendation to the Governor-General, and the Governor-General, acting with the advice of the Federal Executive Council, may, by order, determine the policy to be adopted by the Bank.</p>	
	<p>"(5.) The Treasurer shall inform the Bank of the policy so determined and shall at the same time inform the Bank that the Government accepts responsibility for the adoption by the Bank of that policy and will take such action (if any) within its powers as the Government considers to be necessary by reason of the adoption of that policy.</p>	
	<p>"(6.) The Bank shall thereupon give effect to the policy determined by the order and shall, if the order so requires, continue to give effect to that policy while the order remains in operation.</p>	
	<p>"(7.) The Treasurer shall cause to be laid before each House of the Parliament, within fifteen sitting days of that House after the Treasurer has informed the Bank of the policy determined under sub-section (4.) of this section—</p>	
<p>(a) a copy of the order determining the policy ;</p>		
<p>(b) a statement by the Government in relation to the matter in respect of which the difference of opinion arose ; and</p>		
<p>(c) a copy of the statement furnished to the Treasurer by the Board under sub-section (3.) of this section.</p>		

and in its place a privately controlled central bank erected.

NSW Senator Kenneth Anderson, Acting Deputy President of the Liberal Party, admitted that the 1959 legislation "intends to remove for all time the risk of nationalisation being brought in by the back door."

He outlined: "The central bank is to become a real reserve bank—a banker's bank. We on the Government side say that as such will strengthen the banking system."

Senator William Spooner, the government's Minister for National Development, explained the model: "The policy of the Liberals is a central bank, a reserve bank, superimposed upon a decentralised free enterprise banking system."

Labor Senator McKenna declared that the bill was the result of "all the financial and physical resources of the private trading banks [that] were marshalled and thrown into the scale in order to defeat the Australian Labour Party" at the election. The bank was to be broken up and readied for sale, he said, under the general premise expressed by the Menzies government, that "government should get out and private enterprise should move in". McKenna described how "the very successful and symmetrical structure of the then Commonwealth Bank has been whittled down", since 1949.

Labor Senator Theo Nicholls, of South Australia, called the bill "a calculated and deliberate attempt to strengthen the private banking interests at the expense of the Commonwealth Bank of Australia and, at the same time, to undermine further the 1945 Chifley banking legislation, which is sacrosanct to members of the Labour movement."

Senator Sidney O'Flaherty, ALP South Australia, noted that the Labor Party had "promulgated regulations to control the banking institutions in order that we could control the economy". But the Menzies government today, he said, "is altering the structure of the bank for the purpose of restricting its operations" in that regard. "[T]his Government is carrying out the dictates of the private banking institutions by scrambling the activities of the Commonwealth Bank..."

Labor Senator Dorothy Tangney, the first female Senator, from Western Australia, added that "since the inauguration of the Commonwealth Bank by a Labour government ... every anti-Labour government has tried to whittle down the powers and functions of the bank."

Senator Bill Aylett, from Tasmania, declared that "Once the central bank becomes a purely bankers' bank, it is no longer a central bank. ... I repeat that once the central bank is made a bankers' bank for the convenience of the private banks, it will no longer be a Commonwealth Bank."

In a prescient statement, he continued: "we will find that outsiders will be brought in from every direction. It will be they, and not the Government, who will decide the rates of interest and what the policy of the private banks shall be. The Minister spoke about the control of the Reserve Bank over the private banks. Let us get it quite clear that the Reserve Bank will have no control over the private banks."

There is no doubt, he added: "it will be a pawn in the hands of the private bankers".

Mr Crean, Member for Melbourne Ports, noted that, "One thing that ought to be said at this stage is that there can be no independence of a banking system from government. There may be a certain independence of activity within the framework of government, but government and banking operate within one closed circle. They operate within the economy which affects the economic destiny of the citizens of Australia."

We now present selected excerpts of the debate.

Jim Cairns

A major tenet of Labor belief, said Jim Cairns during the debate of 12 March 1959, is that "inflation and unemployment can be prevented by public control of the banking system"; but he lamented that that is no longer possible under the existing system. The future Deputy PM and Treasurer under Gough Whitlam was then the MP for Yarra. Referring to the objectives of the bank (stability of currency, full employment and economic prosperity and welfare), however, Cairns said:

"This Government and the people of Australia, particularly supporters of the Labour movement, should realise that the objectives set out in that clause cannot now be achieved. The banking legislation cannot any longer be used to the greatest advantage of the people of Australia. It cannot be used to prevent inflation; it cannot be used to maintain full employment and, most importantly, it cannot be used to obtain an allocation of investment funds where they are most needed. The aims and objectives of the late Mr Chifley and the Labour movement generally can no longer be attained for the reason, first, that the private banks and financiers have deliberately organised their activities to enable them to escape completely the application of the banking laws. Indeed, this Government has facilitated, made possible, assisted and devised that escape by the trading banks from the provisions of its own laws. Secondly, the Government, the board and the governor—I do not separate them—have not applied the provisions of the banking legislation where they should have been applied. In fact, the Government has altered and weakened its own laws."

Cairns documented some of the impacts of the unrestrained

inflation, including: "Gross inflation of land values and of capital have not only delayed development but have also accentuated economic inequality. Unemployment has risen to a figure of over 100,000. Houses, hospitals, good roads and power are in short supply, and their cost has increased."

Cairns described how in 1954 real regulation of the banks was traded for an "honour system" requiring banks to uphold a 25 per cent cash reserve ratio—which they were not held to, allowing a "far too generous expansion of credit".

"The private trading banks, on the other hand", he said, "have been allowed to do almost what they liked with regard to their cash reserve ratio. Make no mistake about it; that is the truth of the situation. The private trading banks have dictated the terms and the whole structure of so-called public control has been pulled into shape by their activities."

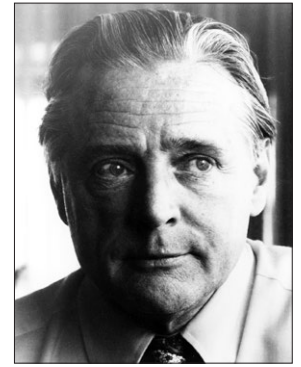
The "bankers and financiers have chosen, for reasons of profit maximisation, to develop a new banking system", said Cairns, and the current banking framework—even prior to being watered down by the 1959 bill—was incapable of stopping them.

"[T]he trading banks have not submitted, and will not submit, to any real regulation in the public or any other interest...", he said. "[A] unified Commonwealth Bank, able to co-ordinate its action in many fields in accordance with central bank policy, is a more powerful banking weapon than one cut up into sections. ... The Commonwealth Bank is being weakened by this legislation which splits it up into many parts instead of leaving it as a unified, co-ordinated whole, as is necessary if it is to exercise its maximum strength as an instrument of public policy.

"If the Government has given up this purpose of banking, let it say so. It has given up the attempt to have banking serve the social purpose of preventing inflation, maintaining full employment and obtaining an allocation of investment funds so that essential needs will be met. This will mean for the people continuing increases in the cost of living, continuing increases in the cost of production, continued inflation of land values, home-building costs and rents. It will mean rising unemployment, insufficient hospitals, schools, houses, roads and power resources and, therefore, high costs of illness, housing, high fares and gas and electricity charges. If the Government has given up hope of building up social services through the banking system, let it say so. That it has given up that hope is obvious from the destruction of the social purposes of the financial system by this legislation."

NSW Labor MP James Harrison made a statement that speaks to us today: "The warning I issue is this: In the future, the Reserve Bank Board, as a separate entity, may not be so willing to close its eyes to private banks which default in carrying out policy directions. I say quite emphatically that the wealth of the people in savings belongs to the people. The profits, if any, that accrue from the savings of the people should be used for the benefit of the nation and the people, and I further believe that the powers conferred upon the Treasurer by clause 11 of the Reserve Bank Bill will give an incoming Labour government the power to enforce this policy in the interests of the nation and its people."

Liberal MP, NSW, Harry Turner observed the shift to central banking which had been dictated by international banking authorities. Stating that the Commonwealth Bank had an



Jim Cairns. Photo: Wikipedia

“unfair trading advantage” against the private banks, he said that “the present position springs from a muddled conception of the Commonwealth Bank when it was first established by Mr King O’Malley and his friends. At that time, central banking was very little understood, and there were very few central banks anywhere in the world. The founders of the bank did not very clearly distinguish between what are now believed to be the true functions of a central bank and what has been the practice of commercial banking over the years.”

The private banks, he said, “do not want to see a banking monopoly in the hands of the Government.”

Gough Whitlam

Future PM Gough Whitlam reiterated that the policy shift was about following an international agenda and had nothing to do with the Australian situation nor any problem with the local banking model, nor are the changes asserted to be in the public interest:

Whitlam dismissed claims made by MPs “that nowhere in the world did we find the system that we have in Australia in which the central bank also conducts trading banking.” On the contrary, he said, “One has only to go to the original and still the foremost central bank in the world, the Bank of England, to find that it always has and still does carry on private trading banking as well as central banking. Deposits by private persons with that bank approach £100,000,000. ...

“Let me come to the actual position in Australia. This question was considered by the royal commission appointed to inquire into the monetary and banking systems in 1936. Paragraph 577 of the commission’s report stated:

Although it is unusual for a central bank to carry on trading bank activities and to control a savings bank, we consider it desirable that the Commonwealth Bank should do both. Through its trading bank activities it possesses powers of competing with the trading banks which can be exercised as and when required. Similarly, its savings bank activities add to its ability to regulate the volume of credit and enable it to compete, if necessary, with the State savings banks. We are of opinion that the use of its trading bank activities as an adjunct to central banking policy is in keeping with its central bank functions and is to be approved.

“I realise that that is a dangerous modern thought for people such as the honorable member for Mackellar. Let me go still further. I shall come up to 1953 when the Prime Minister, before he had been lobbied sufficiently by the back-benchers from New South Wales in his party, expressed this view when the Parliament last amended the banking legislation:

We believe that the Commonwealth Bank’s general trading activities have great merit because they act as a source of information to the central bank. They enable the central bank to have an instrument by which it may give leadership in banking policy.

“Then, in 1954, Dr Coombs, the Governor of the bank, in his E.S. & A. lecture entitled ‘The Development of Monetary Policy in Australia’, stated:

It is important to realise that, by the direct influence which the Commonwealth Bank exercises over the family of banks of which it is the head, it is able,

within limits imposed by their commercial (and, in the case of the Commonwealth Trading Bank, competitive) character, to influence their policy so that they contribute directly to the achievement of the objectives of central bank policy—the stability of the currency and the maintenance of full employment. There can be little doubt that this direct link gives to the Commonwealth Bank a source of strength which can be of particular value in times when the economy is threatened with declining activity and employment.



Gough Whitlam. Photo: Wikipedia

“I have dealt in some detail, Mr Deputy Speaker, with opinions expressed overseas and also expressed quite recently in this Parliament and by the Governor of the bank, who has the duty of advising us on these matters, because this was the only justification which the honourable member for Mackellar gave for the present legislation. It is true that one could make out an academic, logical case for separating a central bank from all other banking. If one looks at these things in isolation and assumes that Australia is already a fully developed country, and that the members of the Reserve Bank of Australia already have all the banking experience that will ever be required in Australia, then that might be an argument for it; but the significant thing is that Sir Arthur Fadden, when he introduced this legislation in 1957, and again when he introduced it in 1958, and the present Treasurer, when he introduced it a couple of weeks ago, did not rely on that argument at all. Their argument did not turn on the theory of the matter. It did not turn on any mischief which had occurred in the banking system as it already was. Although, during this debate, I have listened to honourable members on the Government side for as long as my patience would permit, I have not heard one instance quoted or alleged of improper or unethical practice by the Commonwealth Bank in its central bank functions and in its trading bank functions as a competitor with the private profit trading banks. That is, there is no suggestion by anybody who has introduced these bills that it is necessary, as a matter of economic theory, that this legislation should be implemented. There is no suggestion that because of malpractice it should be introduced. There is no suggestion that the public interest requires it.

“The only argument that has been put on the three occasions when we have debated this legislation in this chamber in the last two years has been that the private banks fear what might otherwise happen. That is, the Government is yielding to their wishes, to their arguments which are put not publicly, or at the bar of the House to honourable members in general, but to only a few back bench members of the Liberal party in New South Wales. These gentlemen have, with the aid of this Banks Defence Committee Account with the Bank of New South Wales, which the honourable member for Melbourne quoted and detailed, prevailed on the Liberal party to implement this legislation—not because of its economic necessity or because of its public merit, but because of the private interests involved.”

To be continued.

Chalmers' RBA reforms: The next chapter in the private hijacking of Australian banking, Part II

In Part I (AAS, 10 April) of this Almanac series, which relates the debate over reforms to the Australian banking system contained in the Reserve Bank Act 1959, we heard Labor greats including Jim Cairns and Gough Whitlam, among others, denounce early steps to hand public control over banking to private financial interests, by breaking up and dismantling the Commonwealth Bank. Today we are in the final stages of that transition, with the push to remove government oversight of the Reserve Bank and the bank's objective to act for the benefit of the general welfare. An understanding of the longer historical process is necessary context to defeat, and indeed reverse, that push, which would otherwise be ushered in by the Treasury Laws Amendment (Reserve Bank Reforms) Bill 2023. To that end, we publish further excerpts of the debate over the Reserve Bank Act 1959, which took place in March-April of that year.

In the House of Representatives on 12 March 1959, Labor Party Member for Banks (NSW) Eric Costa explained the impetus for the banking legislation under consideration: "The purpose of the present measure is, of course, to hinder the Commonwealth Bank. The private banks are very jealous of the great prosperity and progress of our Commonwealth Bank, and they wish to cripple it as far as they can do so. However, we must remind honourable members opposite, and the private banks, that whatever this Government can do to the banking system the Labor Party can undo some day. As sure as night follows day the Labor Party will come to office, and one of the things it will do in office will be to rectify the damage that this Government is doing now to our great Commonwealth Bank."

We excerpt his speech at length, as a compelling reminder of the Bank's capabilities and accomplishments, sorely lacking today.

"I shall speak now of the greatness of the Commonwealth Bank", continued Costa. "The bank was established by a people's government—a Labor government—in 1911. It was established, of course, for the benefit of the people. This great bank should not be interfered with for the sole purpose of swelling the profits of the associated private banks, which form the greatest monopolistic and capitalist association in Australia. The bank, established by the Labor Party, had a very humble and simple beginning. It was not established as a project in the same way as many other of our projects were established, because it was not established on borrowed money. It was provided legislatively, by the Labor government which established it, with sufficient money to begin its operation. We know how fast the Commonwealth Bank grew. Today it is the greatest national project in Australia. It has assets of its own, not belonging to the depositors, of £1,000,000,000. Those assets, of course, belong to all the people, and not to merely a few of the people.

"We know the great service that the bank has given the people since its establishment. It financed the Australian war effort in two great wars. After its establishment, while it was sympathetically administered by a Labor government, for the first time in the history of Australia the national needs were financed without the assistance of overseas borrowing. That would still be the case if the Labor Party had remained in office to administer this great institution sympathetically. Indeed, from time to time this Government borrows money overseas. It is floating a loan overseas now, I think. Periodically the Government breaks away from the

policy established by the Labor government and borrows overseas."

Speaking about the objectives of the bank, being currency stability, full employment and the economic prosperity and welfare of the people of Australia, Costa continued:

"These objects are not mentioned in the present measure. As to stability, when the Commonwealth Bank was administered by a Labor government we had real stability in our currency for the first time in Australia. The Labor government was able to achieve that stability because it had full powers to do so, during the war, under the national security regulations. We were able to administer the Commonwealth Bank in such a way that, for the first time in its history, this country had currency stability. At that time the Australian £1 was respected all over the world, and was the most valuable currency to be found anywhere in the world. It reached that position for two reasons—because the Commonwealth Bank was working for the purpose for which it was established by a Labor government, and because it was being sympathetically administered by a Labor government.

"Now I come to the second objective set out in the preamble to the act—the maintenance of full employment. During the war, because we had such great powers under the *National Security Act* and its regulations, we were able to direct the finances of the Commonwealth Bank in the best direction so that, for the first time in Australian history, this country had full employment. But that state of affairs has been lost today because, as we all know, for a considerable time in this country there has been an army of unemployed. The figures provided by the Minister for Labour and National Service (Mr McMahon) indicate that there are at least 80,000 unemployed in Australia, but we know that the position is even worse than the figures disclose. Unemployment has been rife in this country for four or five years because the Commonwealth Bank, misadministered by this Government, has not been able to perform the functions for which it was originally established.

"Now let us look at the third objective stated in the preamble to the act—the economic prosperity and welfare of the people of Australia. There are many people in Australia today who are not enjoying the prosperity that was aimed



Federal MP for Banks, NSW, Eric Costa. Photo: Wikipedia

at by the originators of the Commonwealth Bank. We have only to think of the position of social service pensioners at the present moment in order to realise that that is so. There are 600,000 pensioners in this country who are asked to sustain themselves on the miserly amount of £4 7s. 6d. a week, and they enjoy very little prosperity and very little welfare. Then there are the thousands upon thousands of people who are seeking homes. One of the purposes for which the Commonwealth Bank was established was the provision of money at a low rate of interest to people who wanted to build homes and people who wanted to establish themselves in industry. Up to a point, that purpose was achieved under the administration of the Labor Party, but when it went out of office, these great objectives of the Commonwealth Bank and the Labor Party ceased to be pursued.

"One of the purposes for which the Commonwealth Bank was established was the making available of credit to those who needed it in the various ways I have mentioned, while reducing the interest rates being charged for money used in all ways in the development of Australia. The history of the bank, which was founded by the Labor Party, shows that we succeeded in attaining this very important objective of providing cheap money for homes, industry, and other purposes. ...

"One can imagine the terrible effect of this kind of [private] finance upon the economy. I think the national debt, which includes our war expenditure, stands at about £4,000,000,000. The effect of a rise of 1 per cent, on the money required to repay that debt is that we become liable for another £20,000,000. One can appreciate the additional interest charges that will be incurred in repaying the £1,500,000,000 borrowed by the Labour party at 1 per cent. Today, because of this Government's practice of encouraging high interest charges, we have the terrible situation that the annual interest bill on the national debt is £150,000,000. That is a complete loss to the nation. ...

"I believe that the finance required during the war to defend Australia should not have been subject to any interest charges at all. Finance should have been found in the same way as money was found to develop the Commonwealth Bank itself. The bank would not be the institution that it is today if it had been required to pay interest on the capital used to develop it. Any other national development that was achieved in the same way has not an interest debt hanging over its head. The Commonwealth railways have developed from our national credit to a degree where, instead of being a loss to the economy, they make a profit of over £1,000,000 a year. It is a small undertaking compared to the railways of the States. The State railways are losing money, whereas the Commonwealth Railways is making profits because it does not have to pay this interest charge imposed by the private banking system—a charge that is crippling the State railways increasingly year by year.

"Another great undertaking that is affected by this financial system is the Snowy Mountains hydro-electric scheme. This great national project should cost the people £450,000,000 by the time it is completed. But it is to be financed by the private banking system, and this means that we shall pay interest on the money. It will take 45 years to make the repayments on this great national project, which should cost £450,000,000. But because high interest charges are imposed by the private banking system, the scheme will have cost the people of Australia £1,200,000,000 by the time the final payment is made. We find that this ridiculous imposition by the private banking system of an

interest charge on all the capital that is required to develop this country is having that effect in many fields. The net result with respect to the Snowy Mountains scheme is that instead of it costing us £450,000,000—and that is all it should cost—it will cost more than twice as much because of misuse of the national credit. ...

"The national credit belongs to all the people, and the Government should not allow it to be monopolised and used in the way that this legislation will permit the private banking system to use it.

"We find that these measures do not alter any legislation affecting the private banks. They relate throughout to the Commonwealth Bank. As I have said, their purpose is to hamstring and, if possible, cripple the Commonwealth Bank. If the honourable member for Mitchell (Mr Wheeler) and the honourable member for Macarthur had the final say, they would cripple the Commonwealth Bank and prevent it from assisting the people and the progress of this nation. Those honourable members would completely destroy the Commonwealth Bank."

Where is the need?

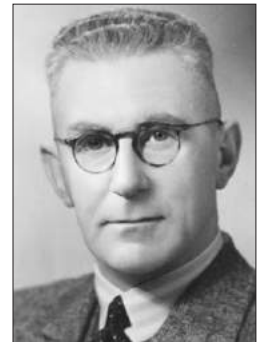
Debate continued in both the House and the Senate over the next week, until 19 March, then took up again in early April. The highlight of debate on 7 April in the Senate was a speech by Senate Opposition leader Senator Nick McKenna, ALP Tasmania:

"I referred a while ago to the fact that we regard these bills as sinister. Let me take the Senate back to 1949, when all the financial and physical resources of the private trading banks were marshalled and thrown into the scale in order to defeat the Australian Labor Party. They financed all kinds of mushroom bodies that had never been heard of before and have never been heard of since to engage in the work of propaganda that they undertook, bodies such as sane democracy leagues and others of that type, with high-sounding titles. I certainly concede that they played a major part in bringing about the defeat of the Chifley Labor Government. It is true that the private trading banks financed the then Opposition parties, which were very largely those that now constitute the Government parties, in their election campaigns. That cannot be controverted. In fact, not only is it not denied, but one of the Government supporters in another place quite recently frankly admitted that he had had considerable assistance in his electorate from that source and said that he welcomed it and appreciated it.

"We see, then, that the appointment of the Menzies Government by the people of Australia in 1949 was, to a very great extent, induced by the propaganda, the finances and the help of the private trading banks. ...

"As I have said, the appointment of the Commonwealth Bank Board was the first step taken to demolish the great structure of the bank. There was a series of steps and there was a rest. The General Banking Division, which had progressed quite well even under the board in the intervening years, was separated entirely from the Commonwealth Bank and constituted a new corporation. We said then, 'Here is the first step in getting this ready for sale, parcelling it up'. What was the purpose of doing that?"

Addressing Senator William Spooner, the Menzies



The ALP's leader of the Opposition in the senate, Tasmanian Senator Nick McKenna. Photo: Wikipedia

government's Minister for National Development, McKenna continued: "I shall ask him to stand up and reconcile his denial of any intention to dispose of the activities of the Commonwealth Bank with what he said when the Fishing Industry Bill was before this Senate in 1956, when he laid down the broad principle that governments should not engage in activities of trade or commerce unless nobody else would give the lead. His second proposition was that when private enterprise was ready to take over, government should get out and private enterprise should move in. They were the two principles that he affirmed. Let us apply them to banking—general banking. ...

"At the moment I am developing the theme that one sees a general cutting down of the symmetrical and successful structure of the Commonwealth Bank as it was in 1949. ... We have had a series of bills to implement the Government's purpose in this matter. The Commonwealth Bank of Australia is to disappear. In its place there is to be the Reserve Bank of Australia, confined to central bank activity only. ...

"Private individuals are to govern the bank. The course now adopted by the Government is more in favour of private interests than was the course which the Government took in 1951. Whereas the Governor and the Deputy Governor of the Commonwealth Bank were chairman and deputy chairman of the old board now the managing director of this new corporation and his deputy are not to be chairman and deputy chairman respectively. An outsider—a man who has had nothing to do with this great series of banks—is to be brought in. The legislation makes it compulsory that such an outsider shall be the chairman of the three banks, and that a great majority of the board shall consist of people who are not in the bank at all and are not members of the Public Service."

Compared to the "very simple structure of the Commonwealth Bank in 1949", said McKenna, the "complexity" itself of the new system would be disruptive. "It will be a most top-heavy superstructure that must make life very complicated for everybody in the bank. It certainly will not make for better government; on the contrary, it will make for far more complex government. ...

"On the mere face of it, that is clear", he said. "The whole thing must be slowed down under the proposal. Instead of a simple arrangement of having a governor who is able to control the whole thing and to announce policy decisions, with an executive that has no duty other than to the bank and which has complete freedom to implement its decisions, it is now proposed to import private interests, to divide control amongst sub-committees with a managing director and a deputy director who, in turn with some executive committees, are to be on top of a large mass. What is the virtue in it? Where is the need for it? If there was something wrong with the present management of the banks, I might see some virtue in the plan. But it is not for me to make firm propositions; it is for the Government to justify its legislation and to say what was wrong with the management of the Commonwealth Bank which made necessary the importation of private interests."

In similar fashion, the Reserve Bank Reforms bill 2023 will add further complexity to existing legislation by replacing the existing Reserve Bank Board with a Monetary Policy Board and Governance Board. Treasurer for the Howard government, Peter Costello, speaking at the one hearing held by the Senate Economics Committee which conducted an inquiry into the amendments, denounced the idea as a "very bureaucratic solution" that would result in more disputes, including between the boards themselves.

In another pre-echo of concerns today, that there was no demand—from any quarter of the nation—for the changes enshrined in the new Reserve Bank legislation, McKenna continued: "Where was the demand for the proposed changes to the Commonwealth Bank? There is certainly no demand from the people of Australia for them. The Commonwealth Bank itself has made no request for easier machinery. The demand comes—this is not denied—from the private banks themselves. Does any honourable senator believe the private banks are acting in their own interests or in the interests of the Commonwealth Bank, when they give the false reason for the need for this legislation that they fear the actions of a future Labor government under the existing legislation? How completely stupid that reason is! Each act that is passed by any Parliament may be repealed. Legislation passed by this Government could be repealed by any Labor government that has a majority in both Houses, so the reason given by the private banks is shown to be completely false. No suggestion has been made that the central bank has been dealing unfairly with the private banks."

McKenna substantiated this statement with citations from politicians and Commonwealth Bank Governor Nugget Coombs.

Senator Spooner interjected: "For you to stand up and say that the Government is going to sell the Commonwealth Bank is the silliest thing I have ever heard."

McKenna described how Spooner's principles had been carried out already, with the sell-off of Commonwealth Oil Refineries Limited and Amalgamated Wireless (Australia) Limited, adding that Trans-Australian Airlines was in the field, too. "In one thing after another the Government's policy has been confirmed. One sees it confirmed virtually year after year by this Government, yet the honourable senator tells us that our fears are groundless in relation to the Commonwealth Bank. We see the goose being got ready to be plucked every time the Government passes legislation. It is moving the Commonwealth Bank into position for the final *coup de grace*."

Onslaught by the private banks

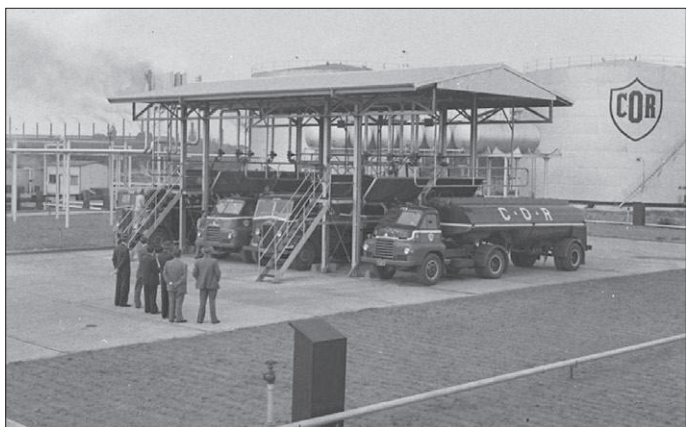
ALP Senator for Victoria Charles Sandford then added important context: "This legislation has been referred to as the fourteen bills. I suggest that it should be called the fourteen pills being administered to this Government by the private banks. By this legislation the Government is discharging a little further its obligations to the private banks. The Leader of the Opposition (Senator McKenna) has stated quite clearly and distinctly the methods by which this Government was returned to office so that it could put through this legislation. Immediately after the result of the general election of last year was announced, big headlines appeared in the daily press concerning banking. In the *Melbourne Herald*, of 16 December, there was a headline, "Bank Bill is the Government's First Job On 17 December, the Melbourne"; a *Sun-News Pictorial* carried a big



Liberal Senator for NSW and leader of the government in the senate, Bill Spooner. Photo: Wikipedia



Senator for Victoria, Charles Sandford. Photo: Wikipedia



Commonwealth Oil Refineries terminal in Carrington, NSW. It was sold in 1952 to a company that became British Petroleum two years later. Photo: Wikipedia

headline reading “Government Brings up the Bank Bill”. The article read, in part: “The banking reform bills will be studied by Federal Cabinet in Canberra to-morrow.”

“The *Melbourne Age* stated, on 17 December, only a few days after the result of the election had been declared, that the new banking bills may be stronger.

“The important point to remember is that the legislation now before this chamber is only the first step in a major onslaught by the private banks against the Commonwealth Bank.”

Senator Sandford described what happens when “the banking institutions have a grip on the people”.

“For example, in the period of thirteen years between 1920 and 1933 the people of Great Britain, under the present system of finance which is backed by the Australian Government, paid no less a sum than £8,300,000,000 in interest and debt redemption. At the end of that period they were £300,000,000 deeper in debt than when they started. That is the system of finance that the supporters of the Government are endeavouring to bolster at the present time. The people should not be under any misapprehension in this matter.

“If the private banks get control of the money system of this country—that is what they are after, and the Government is determined to see that they get it—they will again resort to the ruthless methods that they applied in years gone by. Many of us can recall the things that happened in the ‘thirties. I should like to emphasise what I said before, that the basic policy of private finance is the same today as it was then, and if the necessity again arose, similar conditions would be imposed by the private financiers. I should like to read to the Senate a passage from a report by the Bank of New South Wales in 1932. The report stated, in part:

It is evident that no proposal for further borrowing will be approved unless it is accompanied by definite indications that the Governments are doing all things necessary to reduce their expenditures in

keeping with the condition of the time. This would involve a reduction in their establishments, with consequent additions to unemployment, but the problem of resultant unemployment is secondary, and should not deter governments from taking any action towards balancing their budgets. ...”

Senator Harrie Wade, an Australian Country Party Senator for Victoria who went on to become a minister in the Menzies government the following year, asked: “Did we have the Commonwealth Bank then?”

Senator Sandford replied: “Yes, but it was controlled by a friend of the honourable senator, the bedstead manufacturer, Sir Robert Gibson. He was asked if he could make available £20,000,000 to feed the starving people. He said to the Prime Minister of the government of the day—which was in office but not really in government, ‘You ask me to inflate the currency by issuing another £20,000,000 in notes. My answer is that I bloody well won’t.’

“Government supporters are today trying to place the Commonwealth Bank in the position it was in then—under the complete domination of the private trading banks. The private banking system is not, of course, peculiar to Australia. It prevails throughout the world. No less an authority than William Jennings Bryan, the famous American lawyer and statesman, had this to say about money power:

The money power preys upon the nation in times of peace and conspires against it in times of adversity. It is more despotic than monarchy, more insolent than autocracy, more selfish than bureaucracy. It denounces, as public enemies, all who question its methods or throw light upon its crimes.

“I predict that within a very short time after [the RBA Act] becomes law the private banks will be asking for something more and once again this Government will bend the knee and obey the dictates of its masters.”

—Sen. Sandford, Vic.

“The fact that this is the third time within a little more than twelve months that we have had banking legislation before us is a clear indication that the present Government is determined to do the bidding of the private banks. The Government is now starting to make the pay-off for the financial and physical assistance rendered to anti-La-

bour parties during the 1949 election campaign. And I emphasise that this is only the start of the pay-off! It is unfortunate, but the fact remains that logic is of no avail when a party has the numbers; and in this instance, as the Government has the numbers, the legislation will be passed. But I predict that within a very short time after it becomes law the private banks will be asking for something more and once again this Government will bend the knee and obey the dictates of its masters.

“I emphasise that we are faced with a definite threat of losing control of what was intended to be an institution to be used for the benefit of the people. ... I believe that the monetary system of the country is so vital to the country’s welfare that it should not be controlled by private hands for private profit. The monetary system is as essential in a modern community as the food we eat, and to argue that it should be in private hands for private profit is to argue against true principles.”

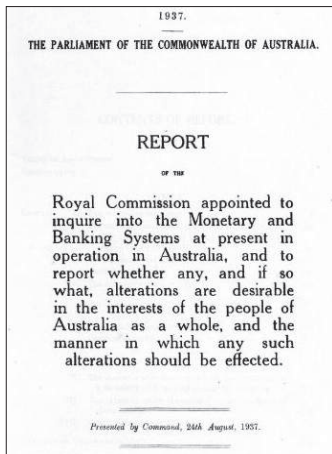
Chalmers' RBA reforms: The next chapter in the private hijacking of Australian banking, Part III

The Menzies government's banking reforms, which commenced in 1950 and culminated with the 1959 Reserve Bank bill, debated in March-April of that year, embodied the repeal of almost all the banking powers that the Curtin-Chifley Labor Party had utilised to resurrect the Commonwealth Bank and get the nation through World War II. Menzies was resuming the process of turning the Commonwealth Bank, founded in 1911 as a People's Bank, into a central bank—a bankers' bank—which had started in the 1920s with the government of Stanley Melbourne Bruce, and which by the onset of the Great Depression had progressed such that the bank no longer had the capacity to control monetary policy and the banking system for the benefit of the nation.

Amid fights over the necessity for such control, a banking Royal Commission was appointed in 1936. It allowed Labor Party official Ben Chifley, one of its commissioners, to cut his teeth on critical matters of banking. The Commission called for the Commonwealth Bank's power over private banks to be expanded, and declared that responsibility for banking policy must lie with the government. But the findings were shelved until the Curtin Labor government took power in 1941, and introduced controls over foreign exchange, bank advances (lending), and interest rates; regulated bank purchase of securities; and mandated that banks provide all pertinent banking information to the government. The 1945 Commonwealth Bank and Banking Acts made those wartime regulations permanent.

When the private banks challenged some of the new 1945 *Banking Act's* provisions on the basis of constitutionality, Chifley's felt his hand had been forced, so he moved to nationalise the banks. His bill passed, but the High Court blocked it upon challenge by the private banks, and the Privy Council refused an appeal by the government. In 1949 Chifley lost office to Menzies, who immediately set about ripping up the 1945 legislation.

The Menzies government, motivated by the banks that had funded his election, believed that the 1945 legislation contained powers "that go beyond the requirements



The cover of the 1937 banking royal commission's final report.

of proper central bank control" which "in the hands of a government bent upon dominating the central bank for its own political ends ... would be a potent weapon for attacking the independent existence of the banks themselves", according to *Commonwealth Parliamentary Debates*, 1953.

While the Menzies government decried the previous government's monopolisation of banking by government, the Labor Opposition described the intention

of the government's legislation as "nationalisation of banking in the interests of the private banks". Menzies government Senator William Spooner summed it up when he said, "the great clash here is between monopoly nationalised banking and free enterprise banking subject to the control of a reserve bank."



The Reserve Bank of Australia building in Martin Place, Sydney. Photo: RBA

A "bankers' bank"

NSW Liberal Senator Kenneth Anderson, during debate on 7 April 1959, reinforced that the Government "intends to remove for all time the risk of nationalisation being brought in by the back door". He clarified that "The central bank is to become a real reserve bank—a *banker's bank*. We on the Government side say that, as such, will strengthen the banking system." (Emphasis added.) Admitting that some of the amendments they adopted were "put to the Government by the great mass of the banking community", he added that ultimately, "the new system will put far more power into the hands of the central bank than it ever had before."

Labor Senator Theo Nicholls made clear that the real object of the legislation is "to torpedo and sink the Commonwealth Bank of Australia ... a calculated and deliberate attempt to strengthen the private banking interests at the expense of the Commonwealth Bank of Australia and, at the same time, to undermine further the 1945 Chifley banking legislation, which is sacrosanct to members of the Labour movement. That legislation contains principles that are wrapped up in provisions like this:

It shall be the duty of the Commonwealth Bank, within the limits of its powers, to pursue a monetary and banking policy directed to the greatest advantage of the people of Australia ...

"In 1953, the powers of the Commonwealth Bank were restricted in order to protect the investments of private banks. Prior to that year, the Commonwealth Bank formulated national monetary policy and acted as a central bank in the truest sense of the term. At no time did it, acting as a central bank, discriminate between the private banks and the Commonwealth Bank of Australia. The 1953 banking legislation, which was referred to by Senator Anderson, went part of the way towards separating the Commonwealth Trading Bank from the central bank, but now, for some reason known only to itself, the Government contends that complete separation is essential. It has given no



Labor Senator, Theo Nicholls.

intelligent or logical reason for the change.

“Recently, the Governor of the Commonwealth Bank, Dr Coombs, stated that the link between the Commonwealth Trading Bank and the central bank could be of particular value during periods when the economy was threatened by diminishing employment. To the 82,000 people who are unemployed today, and to those who are likely to

become unemployed, the reasons advanced by Dr Coombs for the retention of the link will appear much more important than those advanced by this Government for severing the link. This legislation is all just so much camouflage to strengthen the private banking institutions at the expense of the Commonwealth Bank.

“We all can remember the policy adopted by these people during the last depression. That policy intensified the effects of the depression by denuding home markets of purchasing power. A similar policy seriously embarrassed the Scullin Labor Government when it required £11,000,000 to get unemployed people back into employment. A similar policy was responsible for the 10 per cent wage cuts and the scaling down of age and invalid pensions. Again, the private banks were responsible for thousands of reputable business firms becoming insolvent. Their policies were the greatest factor in producing the disastrous wave of unemployment which swept across Australia. I well recall the queues of unemployed at that time, because I myself was unemployed. I had to balance the family budget on approximately 12s. 1d. a week—9s. 8d. for my wife and myself and 2s. 5d. for my daughter. No provision was made for rent. It was pathetic and heart-rending to see furniture stacked in the streets outside homes from which families had been evicted. Every Friday night I addressed meetings in the market at Port Adelaide—large and sympathetic meetings, because most of the people attending were unemployed, as I was. For the reasons that I have mentioned, any attempt to alter, break down or destroy the safeguards embraced in the Chifley legislation of 1945 will be strenuously opposed by the Opposition.

“In conclusion, I should like to refer to what Senator Henty and Senator Anderson had to say about the nationalisation of banking. The legislation before us is nothing more or less than nationalisation of banking in the interests of the private banks of Australia. In 1850 there were some 70 private banks in this country. Today there are about nine, and in the foreseeable future that number will doubtless be reduced to one or two. When Labor obtains power to nationalise the banks in the interests of the people—instead of in the interests of the private banks—it will find the taking over of one or two banks much easier than the task of taking over some 70 banks.”

The following day, 8 April, Senator Spooner reviewed the history of the Menzies government’s efforts since coming to power in 1949, much of which—until it invoked a Double Dissolution election in 1951—was blocked by the Labor Opposition in the Senate.

Spoooner said his government’s amendments “took from the Commonwealth Bank excessive powers over central banking. Those powers were clearly in excess of central banking requirements and were clearly disturbing to not only banking but the general commercial community.” That

is to say, the bankers and big business weren’t happy with it.

Spoooner described the “clash of views” between Labor and the Liberals on banking as “probably the greatest single issue between the opposing political forces in Australia. The importance of the point is that there is now no doubt at all that central banking, with all its policies and all its techniques, is an essential part of the equipment of any democracy. It must not only be maintained and retained, but maintained and retained at the highest degree of efficiency in order to guarantee the stability of the economy. There is no doubt at all that all central banks, in the light of modern experience and in the light of the development of banking techniques, have to be fortified with controls for use as the occasion warrants.”

Indeed, this is the same reason why, more than 60 years later, today’s government is demanding a further expansion of power—for the occasion of a new global crash. But far from being democratic, it puts power into the hands of unelected technocrats.

Spoooner said: “The policy of the Liberals is a central bank, a reserve bank, superimposed upon a decentralised free enterprise banking system.” The great conflict, he explained, is “between banking under a system of free enterprise, with competition between bankers so that individuals have a choice of banks and competition between rival banking concerns on the one hand; and a monopoly banking system, which would follow the implementation of the socialist policy, on the other hand. ...

“I emphasise the point that the great clash here is between monopoly nationalised banking and free enterprise banking subject to the control of a reserve bank.”

But there is no doubt that Labor Senator Theo Nicholls had it right: today we indeed have a private bank monopoly. With no public banking option, citizens have no alternative to the private banking cartel.

Sen. Spoooner affirmed that the Liberal party, and the banks behind it, feared that nationalisation of banking was still a threat.

Laying out the functions of the Reserve Bank, however, Spoooner declared his agreement with Labor Senators on government oversight of the central bank: “Whilst a great measure of independence is to be given to this Reserve Bank, and whilst no government would lightly interfere with what it will do, in the final analysis the Government must reserve to itself the right to disagree with what the bank does. The Government should do that only in circumstances in which the disagreement is brought out before the Parliament so that all may see the effect of it. I remind honourable senators that it is in the charter of the Reserve Bank, not in the charter of the Commonwealth Banking Corporation, that we have carried forward that great obligation which I think is expressed so well. We charge it with the responsibility for the stability of the currency of Australia, the maintenance of full employment in Australia, and the economic prosperity and welfare of the people of Australia. By creating this organisation, the Government, acting with a great sense of responsibility, has done what it thinks is right, but we should never overlook the fact that if the Reserve Bank is to be successful, as we all want to see



Government Senator, William Spooner.

it, there must be a co-operative effort by the banking system, the commercial community and the people of Australia. ... The working together of all sections of the Australian community is needed, [but] in so many ways it is to the central bank or the Reserve Bank that we look for a lead."

However, said Spooner, the rules of central banking dictate that the central bank should not house a trading bank: "As the techniques and rules of central banking have become better understood and developed, not only by the central bankers themselves, but by other people, the oddity of the situation in Australia has caused more and more disquiet. What we have done is to remove the cause of that disquiet."

Banks become investors

Senator Pat Kennelly, ALP, Victoria, highlighted an example of the Menzies reforms, the field of hire purchase, which was opened up to private banks by previous banking amendments. The sector, he said, was worth £313,000,000, and the "hire-purchase companies in which the private banks are major shareholders had lent two-thirds of the total amount advanced".

"One may ask", he continued, "why it is that the banks are more interested in the hire-purchase field than they are in normal banking. The reason is, of course, that much more profit may be made by making advances through hire purchase than can be made by advances in the normal manner. Again, profit is the guiding motive.

"This Government has refused to take any action to restrict hire-purchase activities. It states that it has not the constitutional power to do so. But it *could* permit the Commonwealth Bank to operate in the hire-purchase field. As everyone knows, the Government has done the reverse; it has obliged the bank to withdraw entirely from the hire-purchase field. Is it any wonder that the Labor Party is very sceptical about the Government's banking legislation? If the Government sincerely wants to help the people, all that it has to do is to permit the Commonwealth Bank to operate in the hire-purchase field. I am convinced that if the bank were permitted to enter that field there would be a considerable decrease of the rates of interest at present being charged not only by the private banks, but by all firms connected with hire purchase."

Turning to the present legislation, he stated: "The Banking Bill, which deals with the Commonwealth's control over private banks, abolishes the present system of control through special accounts and introduces in its place a new system which could not, on account of the time factor, be applied quickly in the event of a national crisis." Under the 1945 *Commonwealth Bank Act* and *Banking Act*, special accounts provisions had mandated private banks to hold a proportion of their deposits with the Commonwealth Bank. The new legislation replaced them with

more relaxed reserve deposit accounts. The government had already eased special accounts provisions, so banks could put more money into hire purchase and other investments.

Kennelly cited Senator Spooner's earlier statement that the private banks felt there could be no banking harmony until the central bank was separated from the Commonwealth Bank's trading bank, saying, "This lack of

confidence in the present structure on the part of the private banks and their customers is undoubtedly the crucial factor in the whole measure."

Kennelly concluded: "I believe that what I have read to honourable senators proves conclusively that there is no reason for the re-introduction of the banking legislation except that the private banks desire the change and, of course, that this Government desires to satisfy the banks."

Section 11: 'the Prime Minister and Treasurer are supreme'

On 14 April debate continued, with Senator Frank McManus, Labor, Victoria, taking up the new Section 11, drawn from Section 9 of the *Commonwealth Bank Act 1945*. This section specified that the government could override the central bank on monetary policy but had already been watered down with amendments in 1951, detailed in Part 1 of this series.

McManus: "I am not an expert on banking, but I am also not altogether happy about the explanation given by the Minister in regard to sub-clause (1.) of clause 11. That sub-clause states:

The Board shall, from time to time, inform the Government of the monetary and banking policy of the bank.

"The clause then sets out the procedure for dealing with a difference of opinion. In bringing this matter forward I am actuated by my recollection of a time, which no doubt other honourable senators will also recall, when the relationships between the Commonwealth Bank Board and the Government of the day were very bad. Let us envisage a situation at some time in the future when relationships are not good—in a period of grave national crisis, for instance. Suppose the board takes it upon itself not to inform the Government of a particular matter. What procedure will the Government adopt to insist that it receives official information for the purpose of setting in motion the machinery for settling a difference of opinion? What will happen if the board says, 'We are perfectly happy with what we are doing. We do not want politicians meddling with this serious situation and we will just go ahead.' The Government is in the position of having to receive the necessary information before it can press its point of view. The board may say, 'We have to give the information from time to time. This is not the time when we propose to give it.' How then will the Government proceed to settle the difference of opinion? There may be provisions elsewhere which cover that situation. It may be that some honourable senators will say that such a position could not arise, but I have seen a most remarkable relationship between a Commonwealth Bank Board and the government of the day. Who can say that that will not occur again? Believing that it is necessary for the Government to have a procedure by which it can insist upon being given information on a matter of importance, I ask the Minister where such procedure is provided for in the legislation."

Government Senator John McCallum, NSW, intervened to say: "There should be a specific clause directing a procedure by which information will be sent to a specific Minister." He added: "I can support Senator McManus's contention from my own recollection. The late Mr Scullin told me that at one period, at the height of the financial crisis, he suddenly jumped into a motor car and went down to see Sir Robert Gibson. I do not think that any Prime Minister of the future will be placed in that position. I think



Labor Senator, Pat Kennelly.

that these bills make sufficiently clear the relationship between the Government and the board, but I think that there should be no room for mistake about the fact that, *in the final resort, the Prime Minister and the Treasurer are supreme in relation to the Governor of the Reserve Bank.*" (Emphasis added.)

A proper central bank

The debate turned back to the intention behind splitting up the Commonwealth Bank. Liberal Senator Norman Henty, Minister for Customs and Excise, Tasmania, pointed out that "The Reserve Bank will be a bankers' bank. ... The idea of calling this central bank the Reserve Bank of Australia is something for which we have fought for nine years, so that we could have in Australia, as in other countries, a reserve bank which had the full confidence of the private and public banking systems and which could advise them, and keep them advised, on central banking matters. The goodwill of the Commonwealth Bank with the people has not been touched. The Commonwealth Bank will continue as such, and it will grow. I think I have answered the honourable senator's comments."

Senator Bill Aylett, Labor Party, Tasmania, responded: "At last I have the clear admission which I have been seeking. I can see very clearly now why there is to be no Commonwealth Reserve Bank. Senator Henty has told us in no uncertain manner that *the Reserve Bank is to be a bankers' bank.* We have that clear admission. I have a very clear recollection of a bankers' bank in 1924 and 1925, when a Liberal government amended the *Commonwealth Bank Act.* Until the time of that amendment of the *Commonwealth Bank Act,* the Commonwealth Bank had been functioning in the interests of Australia. It had helped the primary producers, and during the first world war had assisted in every aspect of Australian life. In 1924 or 1925 a Liberal government amended the *Commonwealth Bank Act* and made the Commonwealth Bank purely a bankers' bank. The Government curtailed the activities of the Commonwealth Bank until it became a pawn in the hands of the associated private banks of Australia.

"During the war years, the Labor government of the day, under its defence powers, took control of the finances of this country and controlled them as it thought fit, and it was not until 1945, when we could see that the war would soon come to an end, that we decided to make the Commonwealth Bank a true Commonwealth Bank and not a bankers' bank as it had been for decade after decade as a result of the action of a Liberal government. Now Senator Henty has indicated in no uncertain manner what are this Government's ambitions for the future. ...

"Once the central bank becomes a purely bankers' bank, it is no longer a central bank. ... I repeat that once *the central bank is made a bankers' bank for the convenience of the private banks,* it will no longer be a Commonwealth Bank. If it could be regarded as being a Commonwealth Bank, there would be nothing to prevent its being called the Commonwealth Reserve Bank, just as the trading section is described as the Commonwealth Trading Bank. I thank Senator Henty for his clear admission. What he has admitted is what we have been afraid of all the time." (Emphases added.)

Senator Shane Paltridge, a government minister

from Western Australia, claimed in response that the Reserve Bank would continue to impose rates of interest on the private trading banks and to direct their financial policy, including advances, as well as make them hold certain deposits in special reserve accounts.

But Aylett insisted that because "outsiders will be brought in from every direction", clearly, "It will be they, and not the Government, who will decide the rates of interest and what the policy of the private banks shall be. The Minister spoke about the control of the Reserve Bank over the private banks. Let us get it quite clear that the Reserve Bank will have no control over the private banks. ... The Reserve Bank will have no control over the associated private banks, because indirectly they will be controlling the Reserve Bank. That is why I said that it will be a pawn in the hands of the private bankers, just as it was under the legislation of 1924 or 1925 that was introduced by a Liberal government."

As we see from today's perspective, Sen. Aylett was quite right. Even though they have not been exercised for a long time, the Reserve Bank Reforms Bill 2023 will finally remove the Reserve Bank's powers to direct the advances of banks (Section 36 of the *Banking Act 1959*) and control their rates of interest (Section 50 of the *Banking Act 1959*).

Opposition Leader in the Senate, Nick McKenna, Tasmania, whom we met in Part II, noted that in addition to the private trading banks being unhappy with having the Commonwealth Trading Bank as a competitor, the private banks would also ultimately oppose their interest rates and advances being controlled by the new central bank.

"The point I am making at the moment relates simply to the constitutional base for central banking. ... If the central bank, the Reserve Bank, is to tell the private trading banks how they are to condition the flow of their advances to their customers, it may well be argued that that is a form of capital issues control, and I think that it is. If the central bank says to the private trading banks, 'You are not to make advances to X industry, but you are to make free advances to another industry', surely and basically that is a form of capital issues control. That field the Commonwealth enjoys, in the view that I take, only in the extreme emergency of war."

Due to the evolution of banking in practice, he said, "There is no judicial decision that upholds it as part of the concept of banking, and it may well be regarded as a new form of economic control for which there is no true constitutional basis."

This will lead, the Senator warned, to the Commonwealth Trading Bank vacating the private banking field, and the government ultimately "disposing" of the bank altogether.

To this, Paltridge responded: "Sir, the government has no intention of disposing of the Commonwealth Bank. The policy is clearly stated ... we are not going to sell the Commonwealth Bank, nor has the sale of the Commonwealth Bank ever been considered by the Government."

To be continued.



Labor Senator, Bill Aylett.

Chalmers' RBA reforms: The next chapter in the private hijacking of Australian banking, Part IV

In this final part of our series presenting the debate over the Reserve Bank Bill 1959 in March-April of that year, we hear the sordid details of the private bank, big business and media propaganda campaign behind the drive to split up the Commonwealth Bank so that the externally-directed financial and political establishment could regain control of the nation's economy, which had been interrupted by the legislative agenda of the Curtin and Chifley governments, acting on behalf of the people.

A criminal conspiracy?

With the allegation of such a coordinated effort looming heavily over the chamber, on 8 April WA Liberal Senator Victor Vincent accused the Opposition of levelling a charge of "criminal conspiracy" at the government and executive, to destroy the Commonwealth Bank, denouncing it as an "absurd" suggestion. He defended the separation of the central bank and trading bank units by citing British central banking authority, Professor R.S. Sayers of the University of London, from his book *Modern Banking*. Vincent described how such separation had been conducted across the world—with the exception of Australia and South Africa—arguing the British position, that the Commonwealth Trading Bank could not truly act as a competitive force with private banks while it is under central bank control.

Vincent said future efforts at bank nationalisation must be guarded against, especially given that "The Australian Labor Party is still pledged to destroy the banks." He argued, on the contrary, that "the only way to economic and political freedom in Australia is to preserve *them*"—that is, the private banks. (Emphasis added.)

"That, Sir, is why I believe that this legislation is so important. It will, to some degree, prevent the socialisation of industry through the banking structure. It does not provide complete insurance, but it is partial insurance. The only complete insurance is to keep the socialists out of office. I suggest—and in this respect I agree with Senator Spooner—that if the socialists keep on insisting that they intend to nationalise industry and banking, they will never come back into office."

In response, Senator Sidney O'Flaherty, ALP South Australia, laid out indisputable proof of the conspiracy, exhaustively outlining the overlapping control of the banks and the media, which heavily intersected the political establishment of the time. We provide here a substantial excerpt of his presentation.



Labor Senator from South Australia, Sidney O'Flaherty.

O'Flaherty recounted how even conservative PM Robert Menzies had had to take on the banks: "During World War II, control of the banking system was affected by means of regulations. That brings me to

the point that, in 1939, the present Prime Minister (Mr Menzies) had a quarrel with the private banks after he had proposed to do something to prevent them from using the control that they had over the economy to hinder the Government in doing the right thing while the country was at war. The Menzies Government promulgated certain regulations, the scope of which was extended somewhat in 1940. ...

British-quartered bank pressure campaign

"When Labor introduced the banking legislation of 1945 the private banks spread their tentacles for the purpose of gaining control of all possible means of propaganda so that they might bring pressure to bear on the Government. They in fact brought pressure to bear on the Labor Government from 1945 to 1949, through the expenditure of enormous sums of money. They spent a great deal more during and after the 1949 general election campaign. I think that I have already stated in the Senate that, in 1952 or 1953, the Bank of Australasia [later ANZ] made provision for £500,000 to be paid into a special account for the purpose of defeating a hostile government. That the bank succeeded is evident because it gloated about that fact in its balance-sheet for 1949-50. That is when the private banks started to spread their tentacles. They went into all sorts of businesses so that they could bring pressure to bear upon the Government. They used their influence to get men selected to run under the banners of the Liberal and Country parties. There are men in the present Ministry who were picked up by the banking institutions and utilised by them. They are now among the leaders of the Government. They want to get control of the economy through the financial credit system. To do this, it is essential to go all out to direct policy, first of all through the propaganda network. Thus, we find the tie-up between the press, radio and television interests.

"I have in my hand a graph¹ which shows how at least six of the private banking institutions are linked, through shareholdings, nominees or directorates, with every newspaper having more than a moderate circulation in all the capital cities of Australia. Through these newspapers they control at least 73 per cent of the radio network of Australia, as well as the television stations that are now in operation and those that will operate in Brisbane, Adelaide, Perth and, possibly, Tasmania. The object of the graph is to show that private banking institutions have inaugurated a policy in connexion with the scrambling of the Commonwealth Bank; and through their links with practically the whole means of propaganda in radio, press and television, the policy of this pressure group is forced on the Australian people per medium of the Liberal party. This policy will profit the private banks in all their ramifications to the detriment of the Australian public. I may say that the graph has been compiled from official information set out in

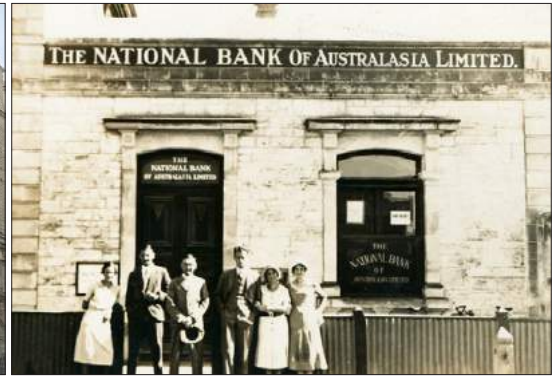
1. Disappointingly, AAS was unable to locate a copy of this graph, including through Australian Parliament House/Hansard. Unsurprisingly the media did not publicise it.

reports of the Australian Broadcasting Commission and the Sydney Stock Exchange investment service. It does not purport to show the complicated workings and interlocking of the private banks with a colossal number of Australian companies in key industries in Australia. It is just as well for me to mention that a bank, or other investment house or nominee company of a bank may request—indeed, it is a command—that a bank nominee, or nominees, shall be placed on the board of management of the firm being financed as a condition of the supply of much-needed funds. This assists the implementation of the bank's policy.

"I shall now explain the graph, which will be available to honourable senators for their perusal. There are particulars in relation to six banks. The first is the Midland Bank² of England. This bank, which is registered in England, is jointly owned by *Daily Mirror* Newspapers Limited, London, and *Sunday Pictorial* Newspapers Limited, London, who in turn are interested in M.P.A. Productions Limited [commercial broadcaster]. I should mention that M.P.A. Productions is operative here in Australia. Just recently there was some scrambling of shares and new companies were formed. It has links with Broadcasting Associates Proprietary Limited, which controls broadcasting stations 2GB, 2LF, 2LT and 2WL. They, in turn, are associated with Associated Television Limited, London, and also Queensland Television Limited, Brisbane.

"Then there is a reference to the Australia and New Zealand Bank Limited, which was formerly the Bank of Australasia Limited. That was the bank that utilised £500,000 for the purpose of defeating a hostile Labour government in 1949. It is affiliated with the Bank of New South Wales Limited. As a matter of fact, it holds shares in that bank. It is also affiliated with Email Limited, a firm which has dealings with broadcasting and television and so on. It is also affiliated with the National Bank of Australasia Limited [now NAB], which is registered in Melbourne. There, again, there is a link with Brisbane TV Limited and David Syme and Company Limited, Melbourne, who control a broadcasting station. Herald and Weekly Times Limited, with which Senator Kennelly dealt tonight, controls various newspapers throughout the Commonwealth, and has links with other newspapers in the Commonwealth. It also has links with, and controls in some cases, all the broadcasting stations and television stations. The banks, linked one with the other, control the whole propaganda machine in Australia. The Australia and New Zealand Bank Limited is not an Australian bank as such. It is registered in England and its branches operate in Australia. In turn, of course, it has all sorts of ramifications in other industries as well. I shall deal fully with that phase of the matter directly.

"I want to deal now with the board that the Government proposes to appoint to control this banking institution, so



Left, the original head office of Midland Bank in the City of London, which had media interests in Australia; right, National Bank of Australasia (which later became National Australia Bank) in Naracoorte, South Australia, 1931. Many such "Australian" banks were registered in Britain and were closely interlinked with the media outlets and big businesses of British origin that dominated Australia. Declared Sen. O'Flaherty: "The banks, linked one with the other, control the whole propaganda machine in Australia." Photos: Wikipedia

that the policy of the private banks will be implemented. The next bank mentioned on the graph is the Commercial Banking Company of Sydney Limited, which is registered in New South Wales. It is linked with John Fairfax and Sons Limited, the proprietors of the *Sydney Morning Herald*, and with that company's subsidiaries. As the *Sydney Morning Herald* is linked with Associated Newspapers Limited, this bank is linked with practically all of the newspapers except the *Daily Mirror*, which is printed in New South Wales. The propaganda goes through the various channels provided by links on the directorates, by direct shareholders, or through some method of affiliation with other companies.

"Last, but by no means least, the graph refers to the Bank of Adelaide, which is linked with Advertiser Newspapers Limited, which will control the television stations to be established in Adelaide. It also controls four radio stations in South Australia. The position is that the private banks set out deliberately, through their propaganda machine, to bring pressure to bear on this Government for the purpose of establishing their policy in relation to banking institutions generally. They did it effectively. Quite apart from any money that they might have supplied direct to the Government parties, they established all kinds of propaganda contact machines or parties so that they could use them for the purpose of talking about the Australian Labor party. They did it deliberately in an attempt to smash our party. They did it in all kinds of ways. With your permission, Mr President, for the information of honourable senators, I will place that document on the table.

The propaganda mechanism

"I should like to relate some of the numerous ways in which a policy such as I have described can be propagated. To begin with, it can be done through the press and the radio. News that is slanted against Labor is supplied—syndicated articles that are always loaded against Labour and in favour of the Government. So-called research media supply articles of a semi-scientific nature, but slanted against Labor and stressing the supposed necessity of having established a central bank, the Reserve Bank about which the Minister was so concerned tonight. Another method is the use of innuendo. One reads syndicated articles containing the most amazing lies and suggestions against the Australian Labor Party. They have emanated from frustrated people who have been found out by Labor. They have been picked up by the private banks and used for the purpose of slandering the great Australian Labor Party. All this is designed to get the Government to do their bidding. Another effective method is adulation and flattery and the

2. Midland, one of the original "Big Four" British banks, led the 1950s push to bypass and white-ant post-WWII "Bretton Woods" financial regulations, launching a new era of City of London-centred speculation and undermining real economic growth. See "[Who ended the Bretton Woods system and opened an age of infinite speculation?](#)", ACP pamphlet, 2021.

improvement of a man's social position so that the particular member becomes a good slave of the private banks.

"Men have been planted in the parties to carry out propaganda work. Government members have admitted that the private banks have helped them to get into Parliament and that they are grateful. These bills are the pay-off. I do not challenge the sincerity of Government senators, but I do challenge the objective they seek to achieve. They are absolute innocents so far as private bank propaganda is concerned. They have fallen for it and are now putting it into operation. The private banking institutions have made no secret in their reports of what they are doing. They have always said, 'You have to separate the sections of the Commonwealth Bank. You have to do this and that.' That is what the Government is doing today—splitting up the Commonwealth Bank for the purpose of carrying out the policy of the private banking institutions. That policy is once more to gain control of this country's economy.

"The private banks also use scare propaganda which our friends in the corner, the Democratic Labour Party, fall for. They use scare headlines in the press. They describe Labor's activity as socialistic and say what awful fellows these socialists are and what has happened in countries where socialism obtains. If they cannot achieve their aim that way, they point to what has happened in Communist-controlled countries and say that Labor is socialistic and is akin to communism. Some stupid people have fallen for that. They have unwittingly gone over to the side of the banks and now are more or less apologising because they did not take the proper action at the last election.

"I turn now to the appointment of the men who are to control the various boards which the legislation sets up. Any businessman chosen will be found to have a link with the private banking institutions. Earlier, Senator Kennelly referred to Mr Grimwade, who is already with the bank and who is a director of Drug Houses of Australia, in which the Australia and New Zealand Bank holds a fair number of shares. Honourable senators will see that it will be virtually impossible to obtain appointees who have not a connection with a private bank. The Australia and New Zealand Bank is also mentioned in the graph to which I referred earlier. It is registered in England. It is associated with the Bank of Australasia, the Union Bank and a New Zealand bank. Either through direct shareholding, or through nominees, it has substantial holdings in private companies as follows: Australian Paper and Pulp Company Limited, 53,223 shares; Commercial Bank of Australia, 59,711 shares; Bank of New South Wales—shareholding not listed; Ampol Petroleum, 124,400 shares; Associated Paper and Pulp Company Limited, 72,182 shares; Australian Consolidated Industries, 64,294 shares; Elder Smith and Company, 11,770 shares; Electrolytic Zinc Corporation of Australia Limited, 50,880 shares; Email Limited, 100,860 shares. The Australia and New Zealand Bank also has interests in fifteen other companies, among them Drug Houses of Australia Limited and G. J. Coles Limited, the retail distributors.³

3. G.J. Coles was the first president of the Institute of Public Affairs, which was founded in 1943 to spread neoliberal economic policy. Other founding members included G.H. Grimwade (also mentioned in this speech) and Sir Keth Murdoch, then Chairman of Directors of the *Herald & Weekly Times*. An *IPA Review* article celebrating the institute's 25th anniversary bragged that it had "contributed notably to the swing in opinion which eventually culminated in the rejection of the socialist party [Labor] in the Federal elections in December 1949", particularly opposing the attempt to nationalise the private trading banks and the "perpetuation of war-time controls". ("How MPs' brains were painted neoliberal", AAS, 17 April.)

"Another bank, which was not mentioned in the graph, also has links with newspapers but unfortunately the bank is registered in Great Britain and its share list is not available. After examining 104 Australian companies one finds that Esanda, which is totally owned by the English, Scottish and Australian Bank, has the following shareholdings: 21,886 shares in Associated Pulp and Paper Mills Limited; 20,000 shares in Australasian Paper and Pulp Company Limited; 39,785 shares in Broken Hill Proprietary Company Limited; 17,250 shares in Containers Limited; 291,537 shares in Davies Coop Limited; 17,800 preference shares in Felt Textiles; 160,083 shares in Metal Manufactures Limited, and 10,000 shares in Robert Reid and Company Limited. Honourable senators will see that a businessman chosen from any of those organisations would have an undoubted link with a private bank. Therefore, I say that it will be impossible to obtain men for the boards who are not in some way linked with a company that is, in turn, linked with a private bank.

"The Bank of New South Wales made a tremendous fuss about the 1945 banking legislation. It put all the pressure in the world on the Labour government of the day to persuade it to alter the legislation. It even went to the court to prove just how far the Commonwealth could go. It was justified in doing that, and it was a good thing from our point of view because we now know just how far one can go within the Constitution. The Bank of New South Wales does not file a record of its shareholders in New South Wales, but, on examining the reports of 104 companies in the Sydney Stock Exchange investment service, I find that four other banks hold shares in that bank and that, either directly, or through nominees, it has substantial interests in many other companies. For instance, it holds 16,189 shares in Tooth and Company Limited [brewery], 14,500 shares in Associated Pulp and Paper Mills Limited—again connected with the newspapers—72,182 shares in Australasian Paper and Pulp Company Limited, 20,141 shares in Australian Consolidated Industries, 34,717 shares in British Tobacco (Australia) Limited, 10,000 (B) ordinary shares in British Tobacco (Australia) Limited, and 103,421 shares in Broken Hill Proprietary Company Limited. I might mention that Broken Hill Proprietary Limited is actually a British company. The Bank of New South Wales also holds 21,950 shares in Courtaulds (Australia) Limited [textiles]. It will be remembered that one of the directors of Courtaulds has been mentioned here already tonight as being also a director of Drug Houses of Australia Limited and as being a member of the present Commonwealth Bank Board [Mr Grimwade]. That man is associated with the Bank of New South Wales through the shares held by that bank in the company with which he is connected. The Bank of New South Wales also holds 14,200 shares in Containers Limited, 17,367 shares in Drug Houses of Australia Limited, 39,701 shares in Dunlop Rubber Australia Limited, 33,513 shares in Felt and Textiles of Australia Limited, 41,400 shares in Grocery and General Merchants Limited, 11,600 shares in Imperial Chemical Industries of Australia and New Zealand Limited, 12,942 shares in McPhersons Limited, 102,724 shares in Olympic Consolidated Industries Limited, and 72,879 shares in Woolworths Limited.

"That gives honourable senators some idea of the ramifications of the bank and how closely it is linked with the business community. This bank is using its propaganda even in the business houses. When we remember the connexion the private banks have with the business community, we must appreciate that it is virtually impossible to find any

businessman who is not influenced in some way by the private banking institutions of Australia. I remind the Senate, too, that, generally speaking, the private banks registered in Australia are more or less dominated by banks registered in other parts of the world. And this Government is carrying out the dictates of the private banking institutions by scrambling the activities of the Commonwealth Bank and actually changing its name. Is it any wonder that we oppose this legislation? ...

Government control of credit

“Exchange and credit issuance, of course, are the real subject matters of the bills before us. ... I believe it’s necessary to take control from those who now direct the means of production, distribution and exchange, and who use that control to retain the major portion of production for their own personal benefit whilst at the same time dictating whether the masses of the people shall be allowed to work, or starve—when these controllers can see no profit in employing them. ...

“Because of this belief I oppose these banking bills. The controlling factor, or means of finance, is in the hands of a few people, not all resident in Australia, through their financial control of the private banking institutions. They are able to have a finger in the pie of every key industry, whether it be engaged in secondary or primary production, and distribution. These private controllers of banks are associated in various ways with shipping, coal, steel, chemicals, the press, and transport industries. They are also associated with stock and station business and with rural production.

“The bills before us are evidence that, in essence, they also control this Government. It is entirely wrong that a few controllers of the exchanges should be able to dictate not only to the Government but also to the people of Australia as a whole the policy to be applied so that they can retain that control and so dictate just what the people should suffer, through their economic and fiscal policy, which benefits only vicious dictators who give no thought to the masses of the people.

“In their machinations, they do give employment, but only if profit is to be made from doing so. The whole system is wrong. Wherever it applies it brings degradation and despair in its booms and bursts and leads all the time to the slaughter of human beings in war because, although they are agreed on spheres of influence, one set of controllers—the financiers—tries to wrest control from those who are already in control in other spheres. They are now temporarily in the saddle and each Government supporter simply has to obey their dictates. But the tide will turn. The people themselves will turn in their suffering against them, and, in their despair, they will be just as vicious in retaliation as the banking institutions of Australia are in their treatment of the people at the present time.”

Sen. Dorothy Tangney, ALP Western Australia, the nation’s first female Senator after whom the federal electorate of Tangney is named, rose to back O’Flaherty:

“I rise to oppose this banking legislation of the Government, just as I have opposed every piece of banking legislation which this Government has brought forth since it came into office in 1949.” Tangney detailed how “every piece of constructive legislation, dealing not only with the



WA Labor Senator Dorothy Tangney in the Senate. Photo: Public Domain

establishment but also with the continued existence and progress of the Commonwealth Bank, has been introduced by a Labor government and that from the very beginning every anti-Labor government has tried to whittle down the powers and functions of the bank.”

The bank, she continued, “was established by the Fisher Labor Government. It started with nothing and had to be developed over the years. Its capital was to have been £1,000,000, to be raised by the sale and issue of debentures, the Treasurer being authorised to make advances out of Consolidated Revenue. It was found unnecessary to raise capital by the issue of debentures, and initial requirements were met by a loan of £10,000 from the Treasury, which was quickly repaid. It is important to note that from the moment of its inception the Commonwealth Bank has always lived up to its obligations and has never defaulted. It has never been a burden upon the taxpayers, but has always had a very proud record in the development of this country. That is why we very much regret that the Government has seen fit to whittle down its powers and to separate its functions.

“The Commonwealth Savings Bank Department began business on 15 July 1912, and general banking business was commenced on 20 January 1913. We all know that within twelve months Australia became involved in World War I and that all the money necessary for the waging of that war, for the creation of the Australian Navy, and for the building of the Commonwealth railway, was found by the Commonwealth Bank and by the governments of the day without recourse to overseas borrowing. During World War II, the Commonwealth Bank was able to assist the Commonwealth government of the day in raising the necessary money for the successful prosecution of the war without going beyond the confines of Australia to raise huge war loans. Throughout the intervening years, the bank has assisted thousands of citizens with their plans for housing and rural development and has had a very marked effect upon the economy.”

On 14 and 15 April respectively, the long fight to hold off Menzies’ financial reform came to an end, with the Reserve Bank Bill and Banking Bill 1959 passing the Senate, receiving royal assent to become law on 23 April. The legislation undermined the Commonwealth Bank, the government’s role in it, and its broader control over banking, but did leave in place procedures to impose government authority in exceptional circumstances. Treasurer Jim Chalmers’ 2023 rewrite of the bill would remove that capacity altogether.