

# Citizens Electoral Council of Australia



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Independent Political Party

15<sup>th</sup> of May 2014

Isherwood:

## budget cuts are not necessary— go with national banking

Australia's own history proves that Abbott and Hockey's vicious budget cuts are *absolutely unnecessary*, because the government has the power to issue extra money to grow the economy, Citizens Electoral Council leader Craig Isherwood declared today.

"Abbott and Hockey choose to lash the sick, the poor, the unemployed and the elderly, because they choose not to use the power of national banking," Isherwood charged.

"And they don't reject national banking because it won't work; they reject it, because it will break the private banks chokehold over the economy—the private banks which they serve."

### Ted Theodore

Isherwood compared the present situation to 1931, the height of the Great Depression, when the private bankers' cabal led by the Bank of England demanded the Australian government impose 25 per cent across-the-board cuts to all government spending, including unemployment benefits and pensions; unemployment was then at more than 30 per cent.

ALP Treasurer Ted Theodore instead devised a plan for an £18 million fiduciary note issue, meaning new money not backed by gold (Australia was then on the gold standard): £6 million to finance farmers, and £12 million to finance public works.

However, the government's own bank, the Commonwealth Bank, blocked the plan. The previous conservative government of Stanley Melbourne Bruce—a sort of Joe Hockey with spats—had neutered the Commonwealth Bank by stacking its board with representatives of big business, including chairman Sir Robert Gibson, who would ensure the bank did not compete with the private banks.

Gibson flat out refused to follow the government's orders and issue the money, snarling, "I bloody well won't."

The ALP government split soon thereafter, and was replaced by the bankers' favourite flunkies, Joe Lyons and Robert Menzies. But, as the Depression dragged on, Gibson's refusal as essentially a bureaucrat to follow orders from his own bosses in government remained a scandal, so in 1936 the Lyons government appointed a Royal Commission on Banking, to inquire into the events of 1931.

The Royal Commission's findings were stunning. Essentially, Theodore had been right: the elected government was the ultimate authority in the financial system, so the bank should have followed orders; and the bank had the ability to issue the new money. The Commission's report stated:

"503. The central bank in the Australian system is the Commonwealth Bank of Australia. This bank is a public institution engaged in the discharge of a public trust. As the central bank, its special function is to regulate the volume of credit in the national interest, and its distinctive attribute is its control of the note issue. Within the limits prescribed by law, it has the power to print and issue notes as legal tender money, *and every obligation undertaken by the Commonwealth Bank is backed by this power of creating the money with which to discharge it.*

"504. Because of this power ... the Commonwealth Bank can... lend to the Governments or to others in a variety of ways, *and it can even make money available to Governments or to others free of any charge.*" [Emphases added.]

Isherwood said, "The findings of the 1936 Royal Commission on Banking proved that the Australian people had suffered almost a decade of Depression hardship *for no reason!* Likewise, they prove that Abbott and Hockey today have no need to slash the budget, nor did the hypocritical Gillard and the ALP last year when they so callously forced single parents onto the dole.

"Instead, they could use the banking power in the Constitution to issue new money, to finance a massive program of water, rail and power infrastructure development which will reindustrialise Australia *without borrowing more money.* This will create millions of full-time jobs which will expand the base of taxpayers and repair any so-called 'structural' budget problems.

"It comes down to this: the government serves the banks, or it serves the people," Isherwood concluded. "To fight for the government to serve the people, using national banking and related policies such as Glass-Steagall, join the CEC."

For an in-depth account of Ted Theodore's 1931 fight against the Bank of England and its consequences, please go online to view Craig Isherwood's presentation to the 2013 CEC National Conference: *Red Ted and the Great Depression.*<sup>1</sup>

### Footnotes

1. [http://cecaust.com.au/2013conference/08theodore/craig\\_theodore.html](http://cecaust.com.au/2013conference/08theodore/craig_theodore.html)

## SPECIAL ANNOUNCEMENT

The ALP, Liberals and Greens are ganging up to make it harder for other parties to contest elections, by tripling the membership requirement. If you support the CEC's ideas, it is time to act by joining as an Associate Member for 1 year, which will help the CEC remain registered.

Please go online to join the CEC as a member.

<https://www.cecaust.com.au/shopping/shopexd.asp?id=66>

## Other Infrastructure

### Hospitals & Schools



Health care and education are funded through taxation, and have been woefully underfunded for decades, but the CNCB can fund infrastructure for both at low interest, to quickly bring both systems up to where they should be, measured in a minimum public hospital bed ratio of six per 100,000 population (compared with 2.5 presently) and maximum class-room sizes of around 20. CNCB funding will make otherwise expensive new health care technology cheaper to acquire, while saving more lives.

### Dams & Reservoirs



Australia isn't short of water, just water infrastructure. The CNCB will finance new major reservoirs for our biggest cities, operated by public utilities, and repaid through water rates set to cover costs, not generate large profits. It will also invest in grand nation-building water projects such as the Bradfield Scheme in north Queensland, to harness water where it is plentiful, to use for expanded agricultural production.

### Railways



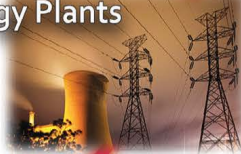
The CNCB will fund an investment program in high-speed rail that will revolutionise Australia's entire economy. The private sector could never make the required investment, but will benefit immensely from the productivity boost—far greater even than that of new roads—that comes from transporting people and goods by rail from one side of the nation to the other in 2-3 hours. Magnetic-levitation and vacuum-tube technology will transform the Australian continent.

### Highways



Fraudulent fuel taxes, which aren't spent on roads, will be abolished, and road funding will also be through long-term, low-interest loans from the CNCB. Well-built roads and highways immediately boost national and local productivity, by saving untold hours that are presently wasted in traffic jams and indirect routes. The productivity increase enables the government to repay road loans through taxes on the resultant overall rise in economic activity, instead of resorting to tolls and fraudulent public-private partnerships.

### Energy Plants



Power stations will once again be owned and run by public utilities, and electricity prices will be set to cover costs. Costs for new plant, poles and wires will be low, because the utilities will borrow from the CNCB at 1-2 per cent interest, amortised over 30+ years. By contrast, present electricity prices are sky-high because private utilities are allowed to charge electricity prices that earn them a minimum 10 per cent return on their investment.

## The Commonwealth National Credit Bank



# A New Public Credit System

## Private sector productive industries

Tens of billions per year at 1-2% Interest

Other Productive Industry

### Machine Tools

The CNCB will prioritise low-interest loans to building up Australia's machine tool sector again. Machine tool manufacture is the cornerstone of the nation's industrial productivity.

### Construction

Construction businesses will qualify for low-interest loans from the CNCB for capital investments in machinery that increases their productivity.

### Forestry

The domination of forestry by national and multinational corporations will end, and the CNCB will finance independent sawmillers who can manage local commercial forestry operations.

### Farms

Independent family farmers are the backbone of national food security, so the CNCB will direct priority loans to family farmers for capital investment, land improvements, and crop financing.

### Automotive

Any nation's car industry is the heart of its applied machine tool capability, both in terms of machines and skilled operatives; the CNCB will finance capital investments made by car companies.