



Australian Citizens Party

Craig Isherwood, National Secretary PO Box 376, COBURG, VIC 3058 **Phone:** 1800 636 432 **Email:** info@citizensparty.org.au **Web:** citizensparty.org.au

MEDIA RELEASE

Wednesday, 16 March, 2022

Harness the Reserve Bank to fund reconstruction—now!

The government must not use budget excuses to penny-pinch on flood relief and reconstruction, as it can direct the RBA to issue the needed credit.

Australia faces the urgent challenge of reconstructing the flood-damaged regions of New South Wales and Queensland. Instead of the usual penny pinching and quibbling between the federal and state governments, this challenge should be met with a visionary intention to build infrastructure and industries across all of regional Australia.

EVENT: This Thursday, 17 March, at 7.30pm AEDT, the Citizens Party will hold a special live-stream discussion featuring ACP candidates representing regional areas, which is open to all concerned Australians to participate and ask questions. [Click here to set a reminder and watch “Transforming Australia’s Agriculture & Regional Communities”.](#)

Natural disasters are a reality check on the infrastructure and preparedness of communities; the floods in Lismore and the Northern Rivers region found inadequate infrastructure and preparedness. Australia’s failing is captured in [this statistic highlighted by Floodplain Management Australia \(FMA\)](#), the peak national body for flood risk practitioners: Whereas the Netherlands spends 97 per cent of its flood-related expenditure on flood prevention and mitigation, and 3 per cent on recovery and clean-up, Australia is the opposite, spending just 3 per cent on mitigation, and 97 per cent on clean-up and recovery! The nation’s annual natural disasters bill averages \$2.75 billion.

Australia needs a radically different approach, and the institutions to deliver the necessary changes. It all comes down to money and investment—for urgent relief and reconstruction, and for long-term infrastructure and economic development.

The Citizens Party champions returning to the national banking institutions that built Australia, but which neoliberal ideologues privatised out of existence in the 1980s and 90s. The principle of national (or public) banking is straightforward:

- The bank is backed by the full wealth of the whole nation;
- Its purpose is not maximum profit, so it can invest long-term and on much smaller margins than private banks, allowing many more investments to be viable;
- It can be flexible, which is especially important in natural disasters.

Australia’s historical national bank, the original Commonwealth Bank, starred in both WWI and



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WWII, issuing the national credit that generated booms in infrastructure construction and industry development. The fact that it starred in these periods of national emergency proves the value of national banking. The *only* reason Australia no longer uses it is because the private banking cartel demands a monopoly over issuing credit, insisting that governments should not be involved in banking in any way, in order to maximise their profits and power.

Another sector of the financial system in which a public role is immensely beneficial, especially for natural disasters, is insurance. Queensland's State Government Insurance Office (SGIO), established in 1917, is a brilliant example. Upon its establishment, it immediately lowered premiums and expanded insurance coverage and by 1920 had grown so fast that it gave a 50 per cent discount on premiums the following year. The principle is the same as national banking: without the need to maximise profits for shareholders, government insurance is able to provide cover to the more marginal and risky areas and enterprises that private insurance companies won't. These areas and enterprises tend to be the productive backbone of Australia's economy.

Billions to save banks—now do communities

The Citizens Party has drafted legislation for a national banking system, including a retail post office "people's bank", and a national development bank. However, the need for reconstruction is urgent, and the nation cannot afford to wait. The good news is we don't have to. Australia currently has a public banking institution, which could be immediately deployed for this purpose—the Reserve Bank. It could be directed to issue the necessary credit for a comprehensive reconstruction program, including major flood-mitigation infrastructure projects, immediately.

As Australia's government-owned central bank, backed by the full wealth of the nation, the RBA has capacity, which it demonstrated during the pandemic recession by issuing *\$320 billion (!)* in quantitative easing (QE) to save the private banks. In the last three years, LNP Senator Gerard Rennick, One Nation Senator Malcolm Roberts and Greens Senator Nick McKim have repeatedly quizzed RBA Deputy Governor Guy Debelle in Senate Estimates as to why the RBA couldn't also use its financial capacity to invest in the infrastructure and productive industries of the real economy. Debelle (who has now bailed from the RBA) always deflected the question, saying it was a matter for the government. Whether Debelle knew it or not, he was right—the government has the power to direct the RBA to do it.



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First, the *Reserve Bank Act 1959* clearly spells out the RBA board's "duty" to direct the bank "to the greatest advantage of the people of Australia", and contribute to "the economic prosperity and welfare of the people of Australia". Moreover, Section 11 of the *RBA Act* provides that if the government and the board disagree, the government "may, by order, determine the policy to be adopted by the Bank". This means the government has the power now to tell the RBA board: as you can issue hundreds of billions to save the private banks, we need you to lend to the federal, state, and local governments for reconstruction and mitigation infrastructure.

In 2013, Bob Katter MP introduced a bill to establish a Reconstruction Board at the RBA, *Reserve Bank Amendment (Australian Reconstruction and Development Board) Bill 2013*, for the purpose of similarly using its credit capacity to save Australian industries. In the resulting 2014 Senate inquiry into Katter's bill, Treasury's submission betrayed its neoliberal ideology, which is the reason Australia is in this mess. It attacked the proposal, declaring: "Direct lending via a government-owned Development Board is likely to reduce competition and innovation across the economy *by crowding out private providers of credit.*" (Emphasis added.) Oh boo hoo for the private banks—they don't lend for these necessary investments anyway!

So that's the choice for Australia: stick with the neoliberal ideology that demands everything in the financial system must be done to maximise profits for private banks and insurance companies—Australians be damned; or, use the RBA's capacity on an emergency basis to put the needs of Australians and their communities first.

The Citizens Party is fighting very hard for the latter—join us!

[Click here to set a reminder and watch "Transforming Australia's Agriculture & Regional Communities".](#)

[Click here to sign the petition:](#)

[An Australia Post 'people's bank'—with fully guaranteed savings deposits!](#)