

# Sterling victims in David and Goliath battle

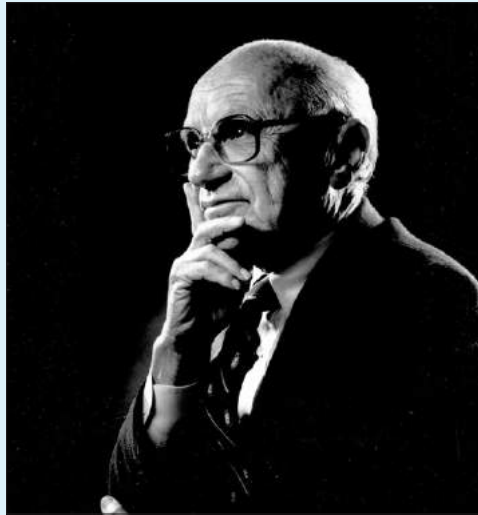
By Elisa Barwick

Sterling First victims are taking on a much bigger beast than the entity that ripped them off, and a victory can have worldwide ramifications. As AAS has shown, these senior citizens are challenging a vast free-market ideology that can be traced back to the Campbell and Wallis Inquiries of 1981 and 1997, which prescribed the deregulation and privatisation that looted our nation. (Including the so-called “efficient markets theory” which is the basis of bank “self-regulation”.) But that ideology did not spring fully formed from those committees. It was an imported product, a result of the evolution of British imperialism from a territorial empire to a financial one. Under the tenets of “neoliberalism”, a reinvention of the nineteenth-century British Liberalism of Adam Smith, John Stuart Mill, et al., control over finance was the new mechanism of imperial control. The Citizens Party has uniquely documented how that new mode of operation was rolled out across the planet, through a secretive think tank called the Mont Pelerin Society (MPS), which established branches across the globe, and used New Zealand as a pilot project. The Campbell and Wallis inquiries codified those MPS prescriptions for an Australian theatre.

The process of infecting both the Liberal and Labor parties with the ideology was well and truly underway by the time of Campbell Inquiry. The chief architect of the Campbell Committee was John Hewson, economic adviser to Treasurer John Howard, and a devotee of Prof. Milton Friedman of the University of Chicago, an MPS co-founder with Austrian School economist Friedrich von Hayek. In his book *The End of Certainty*, political commentator Paul Kelly described Hewson and Howard as “radical liberals” who held up Hayek and Friedman as “the high priests of their doctrine”.

Friedman first came to Australia in 1975 at the invitation of Maurice Newman, who later became chair of MPS thinktank the Centre for Independent Studies (CIS) and chair of the Australian Stock Exchange. The Bretton Woods financial order had been ripped up after the US dollar was floated in 1971, and finance was rapidly decoupled from the real economy. Whitlam was still in office, but the political climate was rapidly changing around him, with Friedman pushing for an independent central bank that would target inflation as its primary objective, with decreasing regard for maintaining low unemployment or fostering economic growth. Treasury and the Reserve Bank were increasingly recruited to Friedman’s free market and monetarist beliefs.

Friedman visited Australia again in 1981, when the CIS organised a sell-out public forum. Friedman was recruited by Hewson as an “outside adviser” to the Campbell Committee, along with several foreign banks. Friedman had an audience with Prime Minister Malcolm Fraser but was given the cold shoulder. Hope would soon emerge however, reported Newman, “through the Hawke Government and a supportive John-Howard-led opposition”. This was the



Larger than life opponents: Milton Friedman and Friedrich von Hayek. Photos: Wikipedia

beginning of the “bipartisan economic consensus” whereby both major parties accepted neoliberal doctrine as incontrovertible. Fraser had binned most of the Campbell recommendations, but PM Bob Hawke and his Treasurer Paul Keating implemented the lot, rebadged under the Martin Inquiry’s review of the Campbell Report. The Campbell Committee reforms, along with the abandonment of deficit budgets typified by Whitlam Treasurer Jim Cairns, was hailed as a “triumph” of Friedman’s policies.

The Campbell Report targeted for destruction every financial regulation that served to direct investment into long-term productive processes, eliminated any government control over bank lending, opened the floodgates on privatisation, including the sell-off of the Commonwealth Bank, removed government control of capital flows, interest rates and the currency, and admitted foreign banks into Australia.

Margaret Thatcher’s 1986 “Big Bang” deregulation of London’s financial markets set in motion another key element of the coordinated takedown of banking regulation—the destruction of the separation between commercial and “merchant” banks that existed through various Glass-Steagall laws across the world. Thatcher was a creature of Britain’s flagship MPS thinktank, the Institute of Economic Affairs.

## Protecting the Common Good?

In a tribute to Friedman after his death on 16 November 2006, Maurice Newman revealed that Friedman “became the rallying point for free [sic] thinkers all over Australia. It is not least because of him that we have a vigorous and dedicated band of people, as exemplified by [CIS leader and MPS President] Greg Lindsay and the CIS, who continue to uphold the principles of life, liberty, and *property*.” (Emphasis added.)

There lies the rub of the battle of ideas the Sterling First victims have weighed into. Compare Newman’s concept to that of the founders of the young American republic, who held dear the precepts of “life, liberty and the pursuit of *happiness*”, opposing British House Philosopher for the Bank of England John Locke’s idea that the sole purpose of government is the “preservation of property” (detailed in this week’s Almanac).

Continued page 15

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## Sterling victims in David and Goliath battle

From page 16

In his book *The Road to Serfdom*, Friedrich von Hayek argued that the “general welfare” or “happiness” of citizens, i.e. the Common Good, cannot guide the actions of governments, because those factors cannot be sufficiently measured. “[I]t is impossible for any man to survey more than a limited field” in order to comprehend the “general interest”; “the limits of our powers of imagination make it impossible” to conceive of the needs of an entire society. Thus each man should be enabled to simply “follow their own values and preferences”. This, he said, “forms the essence of the individualist position”, a position protected by the free market.

No, Mr Hayek, it is not impossible. If you can comprehend the state of mind of just one Sterling victim (p. 15), you can make government policy and regulations that prevent innocent victims being preyed upon by entities allowed by the excesses of the free market to grow into vast criminal enterprises. It is this legacy of Von Hayek, dubbed “the most successful,

if unheralded, political puppet-master of the past century” by a 13 August 2003 *Sydney Morning Herald* feature, that the Sterling First victims are fighting to undo—for all Australians.

### Sources and further reading:

“Milton Friedman: A Tribute”, 12 March 2007, [CIS Occasional Paper 106](#), cis.org.au

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