



# Australian Citizens Party

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## MEDIA RELEASE

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19 February 2020

### **Lesson of Holden: Australia needs a national bank to invest in manufacturing**

The demise of Holden is the symbolic end of real manufacturing in Australia, with a whimper not a bang. Australia has fallen hard since the 1960s when manufacturing accounted for more than 25 per cent of the economy. Today it is barely 5 per cent, while the parasitical paper-shuffling called financial services—dominated by banking—now accounts for the biggest slice of GDP.

Australia's decay from a manufacturing powerhouse into a raw-materials quarry and financial casino over-reliant on tourism and foreign students is reflected in our plunge down the world rankings of economic complexity. According to a 2019 study by the Harvard Kennedy School's Centre for International Development, we've fallen from 57th in 1995 to 93rd in 2017, behind Uganda and Senegal. This was not an inevitable evolution of our economy, however, but a deliberate take-down through free trade. The good news is we can just as deliberately get it back, using the policies that expanded our manufacturing capacity in the first place, starting with a national bank.

#### **History**

Prior to World War II, Australia was an agrarian backwater, but the national emergency of needing to defend ourselves from Japanese invasion drove a stunning transformation of our economy under the leadership of Labor prime ministers John Curtin and Ben Chifley and their Director of Munitions, BHP supremo Essington Lewis. In the space of just three years, we went from being so unprepared for the logistical challenge of supplying a war effort that US General Douglas MacArthur would later describe it as his single greatest shock of the entire war, to being able to manufacture literally anything—especially, and most crucially, machine tools, the machines that make machines that are the core of any manufacturing capacity.

Post-war Prime Minister Ben Chifley was determined to consolidate Australia's manufacturing capacity, and put it to use developing Australia to build the peace, just as it had so ably supplied the war. He envisioned Australia building great development projects to transform the productive capacity of the nation, starting with the Snowy Mountains Scheme. It was not free market "demand", but Ben Chifley's government which identified that Australia needed a domestic car manufacturing industry to be the focal point for Australian manufacturing and machine tool development.

#### **Commonwealth Bank**

Of the companies that submitted plans for domestic car production, the government picked General Motors-Holden because it was the best equipped to move fast, but the company bosses in Detroit were unwilling to make the investment, concerned about the constraints of Australia's small market. In other words, left to the "market" Australia would never have had a domestic car industry. Knowing the importance of this investment, however, the Chifley government made the investment, using national credit from its national bank, the Commonwealth Bank, which had ably demonstrated its ability to make such investments during the war. The Commonwealth Bank's loan to Holden in 1947 set Australia on the path to becoming a manufacturing powerhouse, at its peak boasting five car manufacturers—so much for a small market!

(Chifley also legislated for the Snowy Mountains Scheme, on which construction began in 1949, to also be funded through national credit from the Commonwealth Bank, but his successor Robert Menzies was ideologically opposed to the Commonwealth Bank as a national bank and funded it through taxation instead. In the Parliamentary debates over its funding, the ALP's Charles Morgan argued in 1952: "If a factory owner wishes to extend his factory, a farmer to erect new farm buildings, or a worker to raise a home, he does not do so from current income; he raises a loan and pledges his future to repay the capital so raised. Surely the same principle can be applied to national construction, particularly in relation to such important developmental works as the Snowy Mountains hydro-electric scheme, which is of paramount importance to Australia. Surely that scheme could be financed by national credit and the resources of the Commonwealth Bank, without recourse to current revenue. Work on the project could be speeded up considerably if such a project were adopted. We have been able to raise millions, and even billions, of pounds for war purposes. Why cannot we also raise money for peaceful purposes?")

#### **Death by ideology**

Both major parties are to blame for the destruction of Australian manufacturing, due to their blind embrace of neoliberal free trade as a dogma. (In international trade negotiations, Australia is referred to as the “free trade Taliban”.) The turning point for the car industry and manufacturing came under Labor’s Paul Keating, whose tariff cuts in the 1980s and ‘90s destroyed the ability of Australian companies to manufacture at Australian wages. For an insight into the flawed ideology behind the destruction, see how Paul Keating justified his policies in a 26 November 2013 interview with Kerry O’Brien on ABC-TV.

O’Brien asked, “Looking now at the state of manufacturing today: the rustbelts around the major cities; industries like cars and steel and shipbuilding still in trouble; so many skills lost, jobs exported to Asia; are you still sure it was the right thing to do the way you did it?”

Without hesitation, Keating replied, “Oh, absolutely! I mean, it advanced us donkey’s years....”

Pointing to the human toll, O’Brien countered, “But many of those working people were now staring at lost jobs. Many of those working people in factories, in various jobs, skilled, semi-skilled, unskilled—gone.”

“Yeah—gone”, Keating responded defiantly. “You know what they found? A better job a week later, in a growing economy, with employment growth.”

Keating’s brazenness left O’Brien gobsmacked. This period was the beginning of the rise in unemployment that eventually peaked at over 11 per cent, and only came down through statistical manipulation and the permanent shift from full-time unionised jobs to part-time and casual jobs. O’Brien said, “You make it sound so simple: ‘a week later they had another job’! Do you really think that’s how it worked out?”

“We got them off the factory floor”, Keating responded. “The aim was not to leave them doing repetitive jobs on the factory floor, but to get them off the factory floor doing better professional jobs *in the big service economy of Australia*. I mean, all these people got picked up.” [Emphasis added.]

In truth, the services jobs that did replace manufacturing did not create wealth, but rather just moved it around. Consequently, Australia has been unable to pay its way, evidenced in the meteoric rise of gross foreign debt over the past three decades from \$147 billion in 1988 (43 per cent of GDP), to more than \$2,515 billion (\$2.5 *trillion*—128 per cent of GDP) by September 2019. Such a dependence on foreign debt puts us at the mercy of global economic events. This must change—urgently. To restructure our economy on to a productive footing that can guarantee prosperity and rising living standards for our children and grandchildren, we need to revive Chifley’s national vision of Australia as an advanced manufacturing power, and his policies of national banking to invest in it.

[Click here for a free copy of the CEC’s manual on national banking: \*The next financial crash is certain—End the BoE-BIS-APRA bankers’ dictatorship! Time for Glass-Steagall Banking Separation and a National Bank\*](#)