
The 1930s

The struggle against London's 'Money Power'

by Kelvin Heslop

When King O'Malley left parliament near the beginning of World War I, his enduring legacy was the Commonwealth National Bank. He not only founded the bank, but then hand-picked the man to run it for its first decade, Denison Miller. O'Malley told Miller, in attempting to recruit him to head the Bank, "You have a chance to make history, Brother Miller, Australian history, which will become world history. Think the matter over deeply. And accept the job. Decide to make history—I'm sure you're the man to do it."

Miller, from the Bank of New South Wales, was one of the country's most senior bankers, and Australia's Anglophile establishment hoped that they had one of their own at the head of the new bank. They were wrong. From 1912 until his death in 1923, Miller directed the Bank for the benefit of the nation, to build its infrastructure and farms and industries, and to finance much of Australia's expenses for World War I. He envisaged the bank as rapidly becoming, "the most powerful in the southern Hemisphere."

What Miller accomplished, as well as what he was up against, are described by New South Wales Premier (1925-27) Jack Lang in his book *The Great Bust*, on how the City of London-centered "Money Power" functioned. (Lang, like O'Malley, was a fierce enemy of the "Money Power.")

"The City of London for more than two hundred years dominated the financial affairs of the world," Lang wrote. "It had mastered the technique of the management of money. London was the exchange hub of the world. With the Bank of England, Lloyds of London, the great investment brokers, the underwriters, the insurance combine, and its shipping trusts, it was able to gather together all the intricate strands of the world's most efficient money machine. Most countries paid their tribute in the form of dividends, interest and premiums. The sun indeed never set on the far-flung dependencies of the City of London.

"From the time I first came into contact with the system, as Treasurer of the then sovereign State of New South Wales, I had many opportunities to study the machine in actual operation. One could not help but admire its expert handling of the smallest details of a deal. At the same time, it was impossible to ignore the inescapable conclusion that it was leech-like in its methods.

"It was the City of London that had established what was

known as the Mercantile System out of the industrial revolution. The Victorian era had been one of great commercial expansion. With that rare genius for political invention, Gladstone, Disraeli and other British statesmen sought a substitute for the old system of Crown Colonies. They found it in the British Empire. The formula was to hand to the colonies the right to govern themselves providing they did not break the financial nexus with the City of London."

The City of London's hold on Australia

Lang then described how this great octopus entirely dominated Australia:

"The City of London provided all the capital required for the development of the colonies. The City controlled the ships, the wool and wheat exchanges, the insurance houses and all the other machinery of trade and commerce. . . .

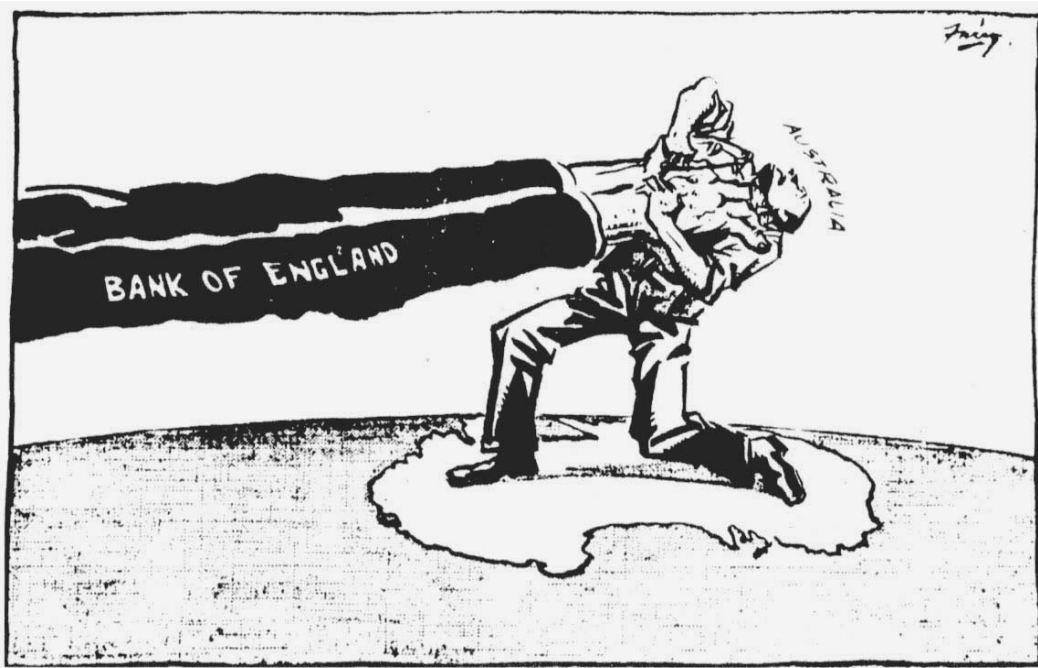
"The Old Lady of Threadneedle Street, as they called the Bank of England, presided over the financial dynasty of the Empire. It was supported by the Big Five, the major private banks. If a government in the Dominions or the colonies wanted to raise money, it had to go thorough approved channels. The financial world was divided into zones of influence. The Houses of Nivison, Rothschild, Barings and Morgan, Grenfell, all had their respective rights. If a government in the colonies wanted to raise money, it could only approach one firm. It had to meet a rigidly controlled scale of underwriting fees. It had to accept the conditions and the interest rates dictated by its London representatives. Every Government had its London agents, who were actually agents for the British investors. There was no room for argument. It was a case of taking it or leaving it. It was useless to try another source. The City had its own underground communication system. It was left to the underwriters to divide up the spoil. They simply produced the clearing house.

"In addition there were the big mortgage companies, who had invested in colonial estates, handled colonial primary produce and advanced money to colonial settlers.

"They were closely allied to the banks. They specialised in mortgages. As they invariably reserved the right to handle all the produce as well, they perfected a form of tied business that left no loopholes for the client. Usually the banks and the mortgage companies had interlocking directorates, who specialised in colonial business.

"So, in Australia, the graziers, the farmers, as well as most of the import houses, the principal mining companies as well as banks, insurance companies and shipping, all led directly back to the City of London. That had been the complete picture when Australia entered the First World War. All our railways, our power plants, our school buildings and even our police courts and gaols had been built with money supplied by the City of London. We were a debtor nation. The bondholders never permitted us to forget it."

However, Lang continued, the outbreak of World War I and the rapid growth of the Commonwealth Bank, together



A contemporary view of the Bank of England.

with similar tendencies in such other British dominions as Canada and South Africa, severely threatened London's power. "But during the First World War the centre of gravity changed slightly. War finance is always inflationary. That is the only way it is possible to pay for war. It is a non-productive enterprise. So money is pumped into circulation for which there is no corresponding build-up of assets. When the war is over the debt remains, but there is nothing to show for it on the books. It has been dissipated in cannon fodder, in keeping the army in the field and in paying for the havoc generally. So overseas investments in war are not regarded as a good risk. . . . During the war it had got out of hand. Because war loans were not regarded as a good risk, the City had refused from the outbreak of war to underwrite Dominion loans. The colonies were told that they should finance their own war requirements.

"In Australia the war had been financed by the then newly established Commonwealth Bank. It had found all the money to keep the armies abroad, and also to finance the producers at home. It had financed the Commonwealth Shipping Line deal for Hughes. Denison Miller had gone to London after the war had finished and had thrown a great fright into the banking world by calmly telling a big bankers dinner that the wealth of Australia represented six times the amount of money that had been borrowed, and that the Bank could meet every demand because it had the entire capital of the country behind it. The Bank had found 350 millions for war purposes.

"A deputation of unemployed waited on him after he arrived back from London at the head office of the Commonwealth Bank in Martin Place, Sydney. He was asked whether his bank would be prepared to raise another 350 million

pounds for productive purposes. He replied that not only was his bank able to do it, but would be happy to do it.

"Such statements as these caused a near panic in the City of London. If the Dominions were going to become independent of the City of London, then the entire financial structure would collapse. The urgent problem was to find ways and means of re-establishing the financial supremacy that had been lost during the war.

"The City was again ready to lend to the overseas dependencies. But it had to meet a changed set of circumstances. If London was to meet the monopoly of finance, it had to deal with such upstart competition as that threatened by Denison Miller. Canada, South Africa and other Dominions were causing a similar amount of concern."

The solution to this problem lay in setting up the Bank of England as an early-day International Monetary Fund (IMF), and in castrating the Commonwealth Bank.

"Basically it was a problem of banking. Some formula had to be devised which would enable such local institutions as the Commonwealth Bank of Australia to be drawn into the City of London's net. The financial experts studied the problem deeply. Out of their deliberations emerged the plan to centralise the control of all banking throughout the Empire by channeling it directly into the supervision of the Bank of England.

"The Bank of England was to become the super Bankers Bank. The Commonwealth Bank of Australia was to be responsible for the local administration of Bank of England policy. It was to be the junior Bankers' Bank. The first step was to take control of the Note Issue Department away from

the Treasury and hand it to the Commonwealth Bank, as was the case in Britain. The Commonwealth Bank thus obtained a monopoly over the note issue, and if this could in turn be controlled, the effective currency pool of the country could be operated like a bathroom tap, to be either allowed to run free or turned off entirely.

“The Bank of England took up the idea of Empire control most enthusiastically. It was even decided to aim at a World Bank, to be run by the League of Nations, which would direct the credit of the world. The grand idea was that one single Board of Directors would make the decisions which would determine the economic policy of the world. The bankers were to be the supreme rulers. Naturally, the Governor of the Bank of England expected to be at the apex of the system.

“If, for example, the Bank of England could control the Commonwealth Bank of Australia there should be no impediment in the way of controlling the Government of the country as well. . . . The death of Miller removed at a critical moment the one man capable of defending the citadel of Australian financial independence.”

Frank Anstey battles the Money Power

After King O’Malley left Parliament, the struggle against the City of London was picked up by a member of his old Torpedo Brigade, Frank Anstey. Born in London in 1865, Anstey at age 11 stowed away on a ship bound for Australia. He spent much of the next ten years as a seafarer in Asia and the Pacific, joining the Seamen’s Union.

He became a leader in the labor movement and helped to found the Tramway Employees’ Association in Melbourne, of which he was president for many years. From 1902 to 1910 he was a state parliamentarian from the working-class Melbourne suburb of Brunswick, and then a federal MP from 1910 to 1934. He was the deputy leader of the Labor Party in Parliament under Matt Charlton.

Anstey was also the editor of the Melbourne newspaper *Labor Call*, and Labor’s best known publicist and theoretician in the fight against the Money Power. He was also the mentor of Australia’s greatest Prime Minister, John Curtin. As Curtin said about Anstey, at Anstey’s funeral:

“I find it very difficult to speak about Frank Anstey. He was a remarkable figure. Very humbly I make the statement that of all the men who have influenced me, he influenced me most. He introduced me to the Labor Movement. He set my mind going in the direction in which he wished it to go, and in quite a humble way, I sought to play the role of a supporter, and aider and abetter of the cause in which he instructed me, believing it to be the greatest cause in the world.”

During World War I, Anstey wrote a series of articles about the causes of the war, and about how the world must be reconstructed afterwards, which were published as a book in 1921 entitled, *Money Power*. There he described the crisis in which the world found itself, in words which will sound very familiar today:

“It is coping with the problems of Finance that the world has got to find its regeneration. All reorganisations of industry, all social projects, and all efforts to climb out of the pit of misery into which the burdens of war surely push the people are dependent upon the first. No mere policy of alleviation will meet the position. Revolution in method, not in words, is the sole alternative to a long period of grinding poverty for the mass.

“This impulse, this essential action cannot come from one man, or a few. It will come from the miseries, the dissatisfactions, the passions of the masses. The duty of leaders is to be ready for it, and when it comes along guide it along the right channels.

“Note the helplessness of governments, their aimless drift on the stream of events, their frenzied efforts to meet the rising tide of their responsibilities by piling debts higher and higher, and making heavier and heavier the burdens on production. ‘After us the deluge’—that is their unsaid prayer and their public policy—so that Australia in the path of the world’s cyclone drifts unruddered to the crisis.”

Anstey then outlined what he called “the methodical foundations upon which must rest all policies of effective reconstruction.” He first outlined the nature of the enemy:

“To carry out these vast flotations and speculations in war or in peace, it is necessary to control vast credits. To control credits it is necessary to control the banks. Whosoever controls the banks controls industry. This control is exercised in every country by a small group—the inner circle of great Capitalists.

“This group is designated ‘The Money Power.’ . . . Industrial capitalism is observable and understandable. Financial capitalism lurks in vaults and banking chambers, masquerading its operations in language that mystifies or dazzles, and this power that holds the monopoly of the instruments of exchange, is the overlord of every other monopoly.

“The key to the power of this group is combination and concentration. It controls banks, trust companies, insurances—the main depositories of the peoples’ savings or the reservoir to which they flow. It controls all credit. It advances or withholds credits, builds up or destroys. It controls the daily press; finances the dope propaganda; wields an unseen sceptre over thrones, cabinets and populations; and is the dominant ‘behind the curtain’ power in the government of modern States. Such is the modern ‘Money Power.’ ”

Very much like the LaRouche movement does today, Anstey *named the names* of the Money Power. He said that Australia was dominated by three great, interlocking financial combines, which he described in detail. He described the dominant one, which he called “The Overseas Group,” in terms which remind one of the old “squattocracy” which John Dunmore Lang and the republicans of the 1880s and 1890s fought against, and, also, of the minerals giant Rio Tinto, the Queen’s own mining company, the largest in the world. Today, Rio Tinto and the National Farmers Federation are

spearheading the attempt to crush all unions in this country, beginning with their assault on the Maritime Union of Australia in 1998. Anstey continued:

“The grip of British capitalism upon Australia consists, not only of mortgages upon Australian Governments, not only on the overseas ownership of Australian resources, but upon the control of nearly one-third of the total depository power of the Australian people per medium of the British banks and British insurances trading within Australia.

“The English banks are the ‘Australasian,’ the ‘Union,’ and the ‘E.S. & A.’ (Including the absorbed ‘London’). Their 500 branches are mainly in the States of New South Wales and Victoria. Their headquarters are in Melbourne. They control the English Life, Fire and Marine Insurances trading in Australia. They control English owned territories in all States. They control a large portion of our coal, meat, and wool resources. They are the dominant factor in the export and import business of this continent.

“Around the English banks are gathered the old Imperial Land Grant companies and others of kindred type. . . . These Imperial Land Grant and associated land and mineral companies cover millions of acres, represent scores of millions in value, and from their coal, meat, and wool resources pour out millions of revenue per year for their overseas owners. Linked up with these are the estates of the ‘free old English gentry’ who squatted upon Australian soil during the early part of the last century.

“The descendants of those families are a peculiar caste. Their spiritual home is England, their outlook, their education, their adopted mannerisms, their social and business relations are all English. Like the Anglo-Indian, Australia is to them another India, an accidental birth-place, a place of occasional temporary residence from whence their money flows.

“Thus all the financial and industrial relations of these men are with English banks and English companies. Thus they are constantly changing from Australia to England and vice versa, and those on the English end of company directorates one year are found on the Australian end next year, and later on back again. These men seldom enter into the public life of Australia, but the corporations with which they are connected are the heaviest subsidisers of local reactionary propaganda.

“The wool, the meat, the coal resources of Australia controlled by the English group are financed by the English banks, handled by English companies, shipped through and by English companies, insured by English companies, and the directorates of the banks and of these companies are interwoven, interlocked, interchanged. Moreover, as more and more of Australian-founded houses fall into the maws of the English group, so the export and import business of Australia approaches more and more to an absolute monopoly headquartered in London. The old trade names are retained to hide the absorption, but whatever remains unabsorbed is subordinate and subsidiary to the paramount power in Australia’s

overseas trade. . . . Australia is a mere appendage of financial London, without distinct economic existence. . . . London is, so far, the web centre of international finance. In London are assembled the actual chiefs or the representatives of the great financial houses of the world. The Money Power is something more than Capitalism. . . . These men constitute the Financial Oligarchy. No nation can be really free where this financial oligarchy is permitted to hold dominion, and no ‘democracy’ can be aught but a name that does not shake it from its throne.”

The battle to save the Commonwealth Bank

Commonwealth Bank head Denison Miller died in 1923. His passing coincided with a change of government, in which the raving Anglophile Stanley Melbourne Bruce came to power. Bruce was notorious for his clipped English mustache and spats, and, in 1947, would be anointed Lord Bruce of Melbourne, and become the first Australian ever to sit in the British House of Lords.

In 1924, right after the election, Bruce was summoned to London. Britain’s financial elite, led by Lord Glendyne of the House of Nivison, underwriters of the Australian government debt, told him he had to destroy the Commonwealth Bank. Jack Lang described what happened next:

“On [Bruce’s] return from London, he was under an obligation to do something about the Commonwealth Bank. The Economic Conference had decided to bring the Dominion banks under the control of the Bank of England. The idea of a world-wide system of central banks was the core of the plan. The British Government had set up a Currency and Exchange Commission to work out the details. It comprised Lord Cunliffe, Governor of the Bank of England, Lord Inchcape, Chairman of the P&O Shipping Line, R.W. Jeans, of the Bank of Australasia, Sir Charles Addis, of the Bank of England, Sir John Cadbury, Secretary to the Treasury, and R.H. Goschen, Chairman of the Bankers Clearing Committee.”

Bruce introduced the Commonwealth Bank Act, which replaced the single governor of the bank with a board of six persons drawn from the “business community,” and headed by another fanatical Anglophile, Sir Robert Gibson.

As Anstey’s friend, Labor Party leader Matt Charlton, evaluated it, “The Bill was nothing less than an attempt to kill the Bank.” The Commonwealth was soon stripped of its savings bank division, which took away its largest deposit base. As Charlton summed up the effect:

“It took away the Bank’s cash reserve, which enabled it to compete with private banks, terminated its trading operations and reduced it to a banker’s bank, not a reserve bank, because no bank was compelled to keep its reserves there, so that it became neither a trading bank, nor a savings bank, nor reserve bank, but a thing of shreds and patches, at the mercy of private institutions, and which could be destroyed at any time.”

A leader in the fight against these attempts to destroy the Commonwealth Bank was Frank Anstey’s friend and protégé John Curtin, who was to become the head of the federal Labor

Party in the mid-1930s. Curtin had been the head of the Labor Party's anti-conscription campaign during World War I, and was thrown in jail for his organizing.

Curtin endorsed the view of Anstey, that "all wars — all international wars — are the instruments by which iniquities re-establish their crumbling thrones, by dissipating on battlefields the human virility that threatened their existence." After the war, Curtin had moved to Perth, and became the editor of a trade union daily, the *Westralian Worker*. The *Westralian* kept up a steady barrage against the Money Power, educating its base on the necessity of a sovereign national bank.

By early 1929, prices paid in England for Australia's exports, which were almost entirely agricultural and mineral products, began to plummet, and the nation had great difficulty paying the £55 million in interest payments owed to the City of London, payments which absorbed an astounding 62% of all tax revenues! In October, the Labor Party government, under Prime Minister James Scullin, an old member of King O'Malley's "Torpedo Brigade," came to power. The City of London cut off much of its credit to Australia, and the now private-banker-controlled Commonwealth Bank began to call in all its advances and overdrafts.

E.G. Theodore, Scullin's Treasurer, introduced two bills to try and deal with the situation, the Central Reserve Bank Bill, to establish a new reserve bank, which would control the paper note issue and the gold reserve, and mandate all other banks to keep 10% of their current accounts and 3% of their reserves with it, and the Commonwealth Bank Act Amending Bill, which would have replaced the six-person big business-dominated board, with a single governor, according to the original system. Both bills were killed in the Anglophile-dominated Senate, and the Bank chairman, Sir Robert Gibson, adamantly refused to issue £18 million in notes for public works, to provide work for men whose families were increasingly starving. Gibson replied haughtily, "Mr. Prime Minister and Members of the Cabinet, you ask me to inflate the currency. My answer is that I bloody well won't."

London's Niemeyer dictates policy

Finally, with unemployment and mass misery growing by the day, and with no way to pay Australia's London creditors, Scullin was forced to "request" that the Bank of England send down an "adviser" to Australia — an early-day IMF delegation. Bank of England head Montagu Norman sent his chief deputy, Sir Otto Niemeyer.

Niemeyer had been knighted for his work as chairman of the postwar League of Nations' Financial Committee, whose debt-gouging conditionalities the economist John Maynard Keynes had denounced as certain to bring on another world war. Niemeyer was also Britain's director of the Bank for International Settlements, the BIS, which was set up to handle reparations and debt payments. Niemeyer and Norman would soon arrange the financial contributions which would bring the Nazi party to power in Germany.



New South Wales Premier Jack Lang was famous for taking on the City of London, which, he wrote, "for more than two hundred years dominated the financial affairs of the world."

Niemeyer arrive in Australia on July 19, 1930. After a trip around the country playing golf, watching horse races, and dining in swanky private clubs, Niemeyer on Aug. 18 laid down the Bank of England's demands to a meeting of the Federal Deputy Prime Minister and Treasurer (Scullin being sick at the time), and all of the State Premiers. He lectured them like schoolchildren: Australia must slash its living standards, which were too high; it must cut its tariffs, governments must balance their budgets; loans must be cut bank, and there would be no borrowing for capital works programs to absorb the growing army of unemployed. But the main point of his harangue was that Australia's policy of protectionism was encouraging a growing manufacturing base, which was changing Australia's traditional role as a producer of cheap primary commodities for Britain, and that this change would not be tolerated!

Said Niemeyer: "Australia must reassure the world as to the direction in which she is going."

On Aug. 21, the Commonwealth Labor government and the state premiers signed on to Niemeyer's demands, in what later became known as the "Premiers' Plan." The same day, however, a "special Conference of Unions and the Australian Labor Party" passed an emergency resolution calling for a five-year moratorium on overseas interest payments, the cancellation of all war debts, and "the mobilization of the credit of the community to work or sustenance for the unemployed and for the revival of industry." The resolution was authored by Frank Anstey.

Lang fights back

Meanwhile, in New South Wales, former state Premier and Labor Party leader Jack Lang made the rejection of what he called "Niemeyerism" the main plank of his election campaign.

Lang argued that the needs of the disabled, the widows

and orphans, and the growing army of homeless, as unemployment soared toward 28%, must be provided for, before the debt. "The one God-given, inalienable right of man is the right to live. If man or woman is denied the right to work, they still retain the right to live. The Government that fails to realise that has forfeited the right to exist," charged Lang.

With the help of John Curtin, one of his chief campaigners, Lang swept to an overwhelming victory on Oct. 25. On Nov. 6, 1930, a motion in the federal labor caucus that a £27 million loan repayment be deferred for 12 months, put forward by Anstey and Curtin, carried on a vote of 22-16.

By February 1931, New South Wales Premier Lang specified three points of action, in a proposal which soon became known as "the Lang Plan":

1. Until Britain agreed to cut interest rates on Australia's foreign debt from 5% to 3%, as the Americans had done for the British, Australia should make no further debt payments to Britain. Australia had incurred enormous war debts, Lang argued, and had lost 60,000 of her finest young men fighting to defend the British Empire, and Britain, having forgiven most of the sizeable debts of France and Italy, should acknowledge that moral debt to Australia.

2. All internal government interest rates should be reduced to 3%.

3. The London-rigged gold standard should be replaced with a "goods standard."

Lang stated boldly, that he was taking on "the City of London [which had] for more than two hundred years dominated the financial affairs of the world."

The federal Labor government split into three factions. The first, grouped around J.A. Lyons, adopted Niemeierism wholesale. The second, around Scullin and his treasurer E.G. Theodore, basically adhered to the Melbourne Agreement, but tried to get a note issue for public works. The third grouping, led by Anstey, supported the Lang Plan. As Anstey told the cabinet, "If I have to make a choice between this government, constantly belly-crawling to the banking power, and John Lang, then give me John Lang."

Anstey was dumped from the federal Cabinet. His protégé, John Curtin, wrote a pamphlet entitled *Australia's Economic Crisis and the 55,000,000 Pound Interest Bill: How the Years of Money Power Extortion Have Brought Misery to the Nation*. Curtin concluded his pamphlet with the following words:

"The needs of the emergency cannot be resolved by orthodox methods. In this crisis the interests of the nation must rise paramount. The Nation's Bank must be made the Supreme Bank. It should function as the sole operator in the external transactions of the country. It could then issue against general exports internal credits negotiable by cheque or notes. Securities that represent property, marketable products, and national taxable wealth are the real basis of national credit always. They were the foundation on which the financial superstructure was reared for the purposes of war; they constitute in the

present era the only basis on which industry can be renewed in Australia. It is today choked up by the consequences of the past. . . .

"Australia's problems are grievous. We cannot resolve them by ignoring the incidence of the operations of high finance. Calling on the trades unions to accept reductions in wages, demanding economy in government costs, invoking constitutional changes either for unification or secession, while leaving the exactions of the money power sacrosanct, is to leave the major issue outside the ambit of logical controversy."

As the crisis remained unresolved, a London-Melbourne financial axis moved to break up the Labor government and install Bank of England puppets instead. In Melbourne, this group included the future Prime Minister, Robert Menzies, and his next-door neighbor and controller, the financier Staniforth Ricketson. Ricketson, in turn, was directed by Lord Glendyne, chairman of Nivison's, the London firm which had floated most of Australia's loans. This group engineered the resignation of Joe Lyons from the Labor government, and then promoted him as "Honest Joe" Lyons, the man who would stop that demagogue, Jack Lang.

The Lyons government came to power on Dec. 19, 1931, with the aid of a propaganda campaign provided by Sir Keith Murdoch, the father of today's global media baron Rupert Murdoch. The government's main aim was to stop Jack Lang, who had not only threatened a debt moratorium against the British, but had implemented an Anti-Eviction Bill to stop the massive number of evictions under way, and a Moratorium Act, to keep bankrupt farmers from being driven from their land.

In March 1932, Lang refused to pay the next payment due to the British bondholders. As he later explained:

"We were spending 3 millions a year from State taxation on relief of distress. If we sent 3.5 millions overseas to meet interest payments, we would have to stop issuing dole tickets, and put men off public works being maintained for the relief of the unemployed. I had no intention of doing that. So the bond-holders would have to wait their turn. It was simply a question of whether the unemployed would be left to starve or whether the bond-holders went unpaid."

The Lyons government paid New South Wales's debt. Later, after Lang refused to meet a second British loan payment, he was sacked by the Queen's representative in New South Wales, Sir Philip Game.

On June 5, the largest crowd in the history of Australia, estimated at between 300,000 to 500,000 of Australia's total population of less than 7 million, turned out in a rally at Sydney's Moore Park to support Lang. As one historian summed it up: "Lang went from office convinced he was right. . . . Right he may have been in that his action of repudiating debts, if followed at the federal level, would have so alienated Britain and Australia from each other that some form of an Australian Republic could have eventuated."



*New South Wales
Premier Jack Lang
fighting the banks.*

The chance was there, but many Labor men, including the old Torpedo Brigade member James Scullin, had capitulated to the Money Power.

Though Labor—and Australia—lost that battle, the war continued. In October 1935, John Curtin became the head of the Labor Party.

On the eve of World War II

On Sept. 20, 1937, Curtin gave an official Labor policy speech in Fremantle, outlining the ALP's policy for the coming elections. There, he noted that even the 1936 Royal Commission into Banking which the Lyons government had appointed, found that, not only should the Commonwealth Bank have expanded credit, rather than constricting it in the late 1920s and early 1930s, but that, in case of a conflict between the Bank and the government, the "views of the government should prevail." Furthermore, said Curtin:

"These findings emphasise the degree in which the Royal Commission on Banking realises that banking is more than mere finance; that it is in fact a great social function which should be controlled in the permanent interest of the people.

"To deal with unemployment and to make that industrial and economic preparedness which is the essence of national defence and security, three related monetary measures are necessary:

"1. National control of credit to ensure its adequacy to maintain and increase employment.

"2. National control of interest rates, in order to keep to a minimum the monetary and capital costs on production and industry.

"3. National direction of investment with the object of assisting in the promotion of a balanced economic development.

"The Commonwealth Bank is the logical instrument to function for the community in effecting monetary re-adjustment and economic reconstruction. The Labor Government will legislate so that the Commonwealth Bank would be able to competently control:

"a) Credit for the nation

"b) Rates of interest

"c) Direction of general investment

"d) Currency relations with external markets.

"The Labor Party points to the planks of its platform and insists that the Commonwealth Bank must have its original charter restored. The policy of the Government must be given effect and the people's authority established in respect to an indispensable national service. . . ."

In a speech the following month, as the shadows of a coming world war lengthened over Europe, and over Australia, Curtin made clear that the cornerstone of any national defense effort had to be the reconstitution of the Commonwealth Bank:

"Let me say a word about defence. . . . The Australian Labor Party exists primarily for the social uplift of the great

mass of the people, but, like every other Party, it is confronted with the universal fact of preparedness for war. It cannot ignore it.

“From its very inception the Labor Movement has stood for national defence. It supplied the first Australian Government which transformed words into facts. It gave Australia a navy; a well trained army; a national small arms factory; a national woolen mills; a national clothing factory; national munitions works; and behind them all, provided the national note issue and the Commonwealth Bank. . . . Therefore, in the election policy speech of two campaigns ago, the Labor Party declared that there could be no effective defence, no advancing social benefits, no uplift in the conditions of wage earners, without prior expansion of the ramifications, functions and power of the Commonwealth Bank. It declared that banking reform and use of the national credit were the groundwork for economic expansion. . . .”

In 1939, on the very eve of the war for which John Curtin was attempting to prepare his country, King O’Malley raised his voice once again, in his pamphlet *Big Battle*. There, he called for the urgent re-establishment of the Commonwealth Bank. He began with the following words:

“To the Sovereign Thinkers of the Commonwealth, Democracy declares certain fundamental principles which are self-evident and indefeasible. That all individuals are created equal, that all are endowed with rights which only the possessors can alienate, and that among these rights are life, liberty and the pursuit of happiness. That Governments are established among people to safeguard these rights, that Governments derive their just powers to govern from the consent of the governed. Upon these democratic, rock-embedded principles must forever rest the foundation of all truly free, responsible government. Democracy is the government of the people, by the people, and for the people.”

But, O’Malley argued, such rights could not be guaranteed without sovereign control over credit. He further declared, that the purpose of banking was to facilitate the creation of tangible, physical wealth, as opposed to the sort of private banking speculation, which he called “fog wealth,” which inevitably ended in disaster:

“Permanent wealth is produced by the slow process of industry, combined with skill and the manipulation of capital. Fog wealth is produced by the rapid process of placing one piece of paper in the possession of a bank as a collateral security for two pieces of paper. Some of the enormous quantity of paper which is being created now will sooner or later collapse. But with the Commonwealth Bank capable of sustaining legitimate credits, there can come no panic which will again destroy the market value of intrinsic values, ruin debtors, deprive workers of work, and produce general distress.

“Oh! Would that I possessed the power to arouse the Australian people to the imperative importance of revitalising the Commonwealth Bank! In financial crises they have suffered,

but their minds seemed to be possessed with the fatalism of the Turks—it is the will of Allah. But I say it is not the will of God which produces panics, but a want of an intelligent Banking System. . . . Banking is the fundamental essence of finance, and finance is a governmental function. The banks should be coworkers with the producers and traders. The Commonwealth Bank should possess the capacity to continue exercising the banking functions, and thereby sustaining normal values during the fiercest commercial crisis. A system possessing potential financial power, such a capacity in connection with the talent for production, trade and commerce possessed by the people of Australia and the boundless wealth of its natural resources may make Melbourne instead of London the principal exchange city of the world, and Australia instead of England the creditor nation of the world; without it, never.”

The 1940s

The mobilization for World War II

by Robert Barwick

The life-and-death nature of the struggle of the early labor movement was brought home to Australians in 1939, when World War II broke out. Now, the survival of the Australian nation was at stake. World War II was the greatest test of Australian nationalism, and of its leadership, in the person John Curtin. The decisions made by the Labor leadership, under Curtin, would determine whether Australia survived as a nation in the face of treachery—not only from the Japanese aggression, but also, and more importantly, from the British financial “Money Power” which had set Australia up to be crushed.

When war broke out in September 1939, Australia was virtually defenseless. Prime Minister Robert Gordon Menzies made a public broadcast, where he said it was his “melancholy duty” to inform the country that Great Britain was at war, and that, therefore, Australia was at war, and would support Great Britain “to the last man, and to the last shilling.” However, this was not merely a repeat of World War I, when Australia had also thrown its support behind Mother England, and had sacrificed 60,000 men in Gallipoli and other faraway places in the name of the Empire. That would be horrible enough. This time, there was a very real threat that Australia itself would be conquered, by the expanding Japanese empire.

Defense was one of the key issues separating Australia’s