**Betrayal! Curtin and Chifley would be exerting *more* power over the RBA, not giving it up**

Treasurer Jim Chalmers has committed to dumping the policy for which Labor legends John Curtin and Ben Chifley fought hardest—democratic control of the central bank and banking system.

Chalmers yesterday said he would legislate to implement the first recommendation of the RBA Review, that “The government should remove the power of the Treasurer to overrule the RBA’s decisions.”

This should be shocking to anyone who knows Australian history, and to all Labor Party stalwarts.

**Curtin and Chifley**

Chalmers is giving up a power which the Labor Party fought for in the 1930s, starting in the depths of the Great Depression when unemployment was more than 30 per cent.

In 1930, Labor Treasurer Ted Theodore turned to the government-owned Commonwealth Bank, which 15 years earlier during the first world war had shown it could massively boost Australia’s economy with investments in local infrastructure and industries.

Theodore directed the Commonwealth Bank to issue £20 million in new notes: one third for agriculture; two-thirds for public works to create jobs for the unemployed.

As *Smith’s Weekly* reported on 4 October 1930, Commonwealth Bank Governor Sir Robert Gibson replied to the directive:

“Mr Prime Minister and members of the Cabinet, you ask me to inflate the currency by issuing another 20 millions of notes. My answer is that *I bloody well won’t*.”

Gibson’s defiance was shocking—how could the manager of the bank refuse to follow the orders of the government which owned the bank? Who was really in charge of the financial system?

Labor split soon after and was not able to force the Commonwealth Bank to do its bidding; instead, Bank of England Governor Montagu Norman’s envoy Otto Niemeyer dictated a 20 per cent cut in government spending across the board, including to wages and pensions.

The controversy over Gibson’s defiance led to the Lyons government establishing the 1935-37 banking royal commission, of which future Labor Treasurer and PM Ben Chifley was a member.

The Royal Commission examined the Gibson incident, and declared in its findings in Chapter VI, 530: “*The Federal Parliament is ultimately responsible for monetary policy*, and the Government of the day is the Executive of the Parliament.”

It recommended that if conflicts arose between the government and the bank board, the government should assure the bank it accepts full responsibility for the decision but “it is the duty of the bank to … carry out the policy of the government.”

In 1937, Labor Party leader John Curtin called it a matter of democratic accountability and sovereignty, declaring: “If the Government of the Commonwealth deliberately excludes itself from all participation in the making or changing of monetary policy *it cannot govern except in a secondary degree*.”

When Curtin and Chifley took office in WWII, they enshrined the recommendation in the 1945 *Commonwealth Bank Act*, which Robert Menzies retained in the 1959 *Reserve Bank Act*, in the clause that Chalmers now intends to remove.

**Unused**

The RBA Review admits this power has never been used, but warns: “While no Australian Government has used these override powers, *there is the possibility that established conventions cease to be observed*.”

Australian Citizens Party Research Director Robert Barwick said today: “A growing coalition of politicians and parties are demanding that instead of the RBA creating hundreds of billions to prop up the private banks, the government should be using it as a national bank to invest in infrastructure that benefits all Australians.

“If Theodore, Curtin and Chifley were here they would be calling for it too.

“Labor removing democratic accountability over the RBA and banking system is a shameful betrayal of their legacy.”