

Australian Royal Commission on Money

The Australian Royal Commission into the Monetary and Banking system of Australia made its report in 1937.

After nearly two years of exhaustive inquiry the Commission, in its report, was obliged to admit that the Commonwealth Bank (now the Reserve Bank) possessed all the **power** necessary to finance all Governmental needs.

Section 504, of the Commission's Report, headed "Creation of Credit", reads:—

"... Because of this power, the Commonwealth Bank is able to increase the cash of the trading banks in the ways we have pointed out above.

"Because of this power, too, the Commonwealth Bank can increase the cash reserves of the trading banks; for example, it can buy securities and other property, it can lend to the Governments or to others in a variety of ways, and it can even make money available to the Governments and to others **free of any charge** . . ."

As this last clause has led to a good deal of controversy as to its exact meaning, Mr. Justice Napier, Chairman of the Commission, was asked to interpret it, and his reply, received through the Secretary of the Commission (Mr. Harris) was as follows:—

"This statement means that the Commonwealth Bank can make money available to Governments or to others on such terms as it chooses, even by way of a loan without interest, OR EVEN WITHOUT REQUIRING EITHER INTEREST OR REPAYMENT OF PRINCIPAL."

Thus the Commonwealth Government was given the happy alternative of obtaining all its loan requirements without recourse to borrowing from the banks on Treasury

Bill security, and so involving the nation in additional national debt, and the people in more onerous tax burdens. BUT IT DIDN'T TAKE IT.