

1947 BATTLE FOR THE BANKS

Prime Minister Ben Chifley's greatest political blunder was to do battle with Australia's powerful private banks — and lose.

His abortive attempt to nationalise banking not only cost him the Prime Ministership in 1949, but also created such fear of 'socialisation' that it helped to keep the Australian Labor Party in the political wilderness for the following twenty-three years.

Every Australian newspaper of note reacted with outrage to Chifley's announcement in Federal Parliament on 15 October 1947 that the Government intended to nationalise the banks.

Robert Menzies, Leader of the Opposition, was equally outspoken in his parliamentary reply to the Prime Minister:

It is my duty, and, I do not mind saying, my pride, to open the debate

against the most far-reaching, revolutionary, unwarranted and un-Australian measure introduced in the history of this Parliament. Beyond question, the Banking Bill is the most important measure of a domestic kind ever to come before us, or before our predecessors, in this House.

... It will create in the hands of the ruling political party a financial monopoly, with unchecked power to grant or withhold banking facilities or bank accommodation in the case of every individual citizen. Because no production or business enterprise, great or small, can be carried on without money, the proposed political money monopoly will be able to exercise dictatorial controls over all production and business.

Menzies' fears were not without foundation, for Chifley had already demonstrated his intention to put into practice many of the socialisation objectives which had become A.L.P. policy as far back as 1921.

In 1946 the Government had taken charge of overseas telecommunications; the following year it had gained control of Qantas and established its own internal airline, Trans-Australian Airlines, after the High Court had prevented the nationalisation of the entire airline industry.

In early 1947, too, the Joint Coal Board had been given the power to regulate New South Wales coal mines and, if necessary, to take over and run them.

On the banking issue, the 1921 policy document had clearly stated that the A.L.P. would socialise industry by, among other things, 'nationalisation of banking and all principal industries'.

Even earlier, memories of the losses suffered by small investors in the bank crashes of the 1890s, coupled to Labor's suspicion of, and opposition to, the power and influence of the private banks, had resulted in the establishment of the Commonwealth Bank by the Fisher Government in 1911.

Chifley, in fact, was only carrying out what had been his party's policy for a long time — a policy which he obviously believed had been endorsed by the electorate when it put the Labor Government in power six years earlier.

In 1945 Chifley, as Treasurer, had introduced legislation which, through the Commonwealth Bank, gave the Government a substantial degree of control over banking policy and, indirectly, over private banks.

In August 1947, however, the High Court rejected as unconstitutional an important clause which sought to prevent State and local governments from dealing with private banks. Chifley reacted by ramming through Parliament the Bill to nationalise banking.

But, almost before the ink had dried on the Governor-General's signature, the private banks challenged the legislation in the High Court — which ruled in their favour in August 1948. The Privy Council, about a year later, rejected the Government's appeal.

The banks, though victorious, were not complacent. The battle against Chifley became a war to the death.

The Brisbane *Sunday Mail* summed it up in mid-1949 when it reported the Privy Council decision had 'touched off an all-out campaign by the banks and by the bank officers to "sink Chifley" at the Federal elections towards

the end of this year. Bank-officer “back-room boys”, who for the last two years have been working partly under cover, are now coming out into the open in an attempt to scuttle the threat of socialization once and for all’.

In this they were aided by dissatisfaction at rationing which, so long after the second World War, was still in force for petrol and some essential food-stuffs, including butter and tea.

The banking battle finally ended with the Federal Elections of 10 December, in which Labor retained only forty-seven of the 121 seats in the House of Representatives.

Chifley’s Government was replaced by a Liberal-Country Party coalition headed by fifty-five-year-old Robert Gordon Menzies.

One of the new Government’s first acts was to repeal the bank nationalisation legislation.