MODERN MONETARY THEORY

A NEW AUSTRALIA-FIRST ECONOMICS

2ND EDITION - REVISED AND EXPANDED

Working Australians across our country are suffering.

A cost of living crisis is crushing our families. House prices continue to rise, pricing younger generations out of ever owning their own home. Household debt is drowning us all in interest payments and financial insecurity. We face a crisis of sovereignty where foreign capital controls our banks, and a crisis of national identity where we feel like second-class citizens in our own land, abandoned by those we elect to represent us.

The establishment tells you this is inevitable. They tell you that it's too expensive to fund the basic services and develop the infrastructure our nation's people need to survive. They tell you that the government is "running out of money" and we must cut spending.

They are lying to you.

The only reason they act like we are poor is to justify the managed decline they have forced on us for 40 years. They need you to believe the government's coffers are empty so they can keep the keys locked away. But the truth is simple: we do not run out of money.

Reclaiming our national sovereignty must begin with recognising our currency sovereignty.

This is the 2nd Edition of this Eureka Paper, revised with new sections, diagrams, and a new first chapter, rewritten to be more accessible based on feedback received from readers of the 1st Edition that released in August 2026. It explains why the rules you were taught about economics are a lie. It shows you how the money system actually works. And it outlines the

steps we must take to break the chains of debt and usury, and put power back into the hands of the Australian people.

BREAK THE CHAINS. BUILD THE PARADISE.

1. THE ECONOMY

The establishment in Australia – the politicians we elect, the pundits and analysts we see on the news, the economists reporting on national economic matters like inflation, unemployment, or government spending – all provide us with a narrative about how the economy works.

Watch any night of Australian politics and you'll hear the same story. The Coalition and One Nation accuse Labor of “spending too much.” We're told to balance the budget by cutting spending, that federal debt is out of control, that we need a surplus to pay it down – or the government will go bankrupt. That we can't afford hospitals or housing because there isn't enough money coming in from taxes.

On the other side of the fence, the mainstream left – both from parts of Labor and the Greens – tell their supporters and the public that we can fund welfare programs and government spending if we just raised taxes on the wealthy to redistribute down to the rest of us.

On both sides, the underlying assumptions are the same: that government spending is funded by revenue from taxes and other streams, that the government can run out of money if it spends too much, and that if the government wants to spend more money than it raises in taxes and other streams, then the government must go into debt by selling bonds to the private sector or foreign governments which must be paid off later.

For many of us, this sounds fairly intuitive. After all, that’s how things work in the lives of everyday people: we earn money from our job or whatever other income source we might have, we spend that money on the essentials we need to survive – rent or mortgage, groceries, fuel for the car, our electricity or water bill when it comes in, etc. – and if we don’t have enough money to pay for it all, we have to either go without, or go into debt, usually with a bank, by taking out a loan which has to be paid off later, or else we go bankrupt.

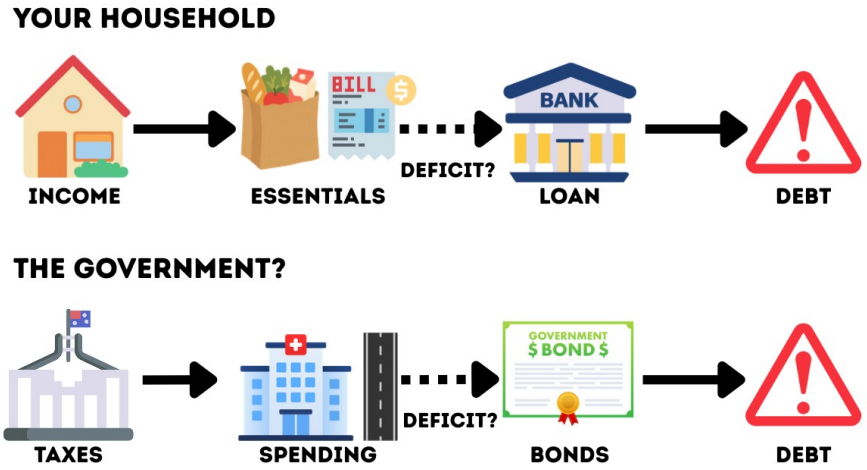


Figure 1 – The story we're told: the government is just a big household

Because the logic sounds intuitive, we believe it – and that's the trap.

This is what's known as the **household budget analogy**, and it's an easy way that politicians get to justify not spending money on social programs, whether that be on building new hospitals, fixing our roads, or ensuring that every Australian has a job. And it all falls apart once you remember one key detail: **households can't create dollars out of nothing.**

We don't have the ability to just print our own $50 notes because we want to take the kids out to get Macca's for dinner but don't have any of our paycheck left – and if we were to try, we'd get arrested for counterfeiting.

That's not how it works with the government. The Reserve Bank of Australia, on behalf of the federal government, is the official issuer of the Australian dollar (AUD), and that's what makes all the difference. Because it means that **the government cannot run out of money the way a household can.**

So the question is, how does the economy actually work?

THE GOVERNMENT SPENDING CYCLE

Let's start with government spending – because that's where the cycle really begins, not with your tax return. What happens when the government spends money? The answer is simple: when Parliament approves spending in the budget, the federal Treasury requests that the RBA credits the accounts of those it needs to pay. This could be private businesses, Centrelink payment recipients, federal government employees, or even state and territory governments as grants.

And where does this money actually come from? As the issuer of the Australian dollar, the RBA can, and does, simply create the money from nothing. Since most dollars these days are transferred and held digitally, this process doesn't even require printing banknotes – it just requires tapping some keys on a keyboard, to put it crudely. And the RBA does this all the time – this is how government spending works in reality, and it's theoretically unlimited, as the RBA can always just create more money.

NOTE: *Only the federal government can create money this way. State, territory, and local governments cannot – they don't issue dollars. They must first raise funds via federal grants, taxes, or borrowing in order to spend – their budgets really are a bit like a household's.*

"But hold on! The government can't just create infinite money, that'll cause inflation to skyrocket!"

Some version of this question is likely your immediate response to this suggestion – and it's not wrong. Obviously, if the government just spends infinite money into the economy, then yeah, prices will just keep going up and up and up, and dollars become worthless. **And that's where your taxes come in.**

Taxes drain money from circulation in the economy, in doing so controlling the total amount of money that's available for spending by private entities – whether that be businesses, or you and I. And when our taxes return to the government, that money is simply destroyed – the same

way it was created: someone tapping some keys on a keyboard at the RBA, only this time subtracting instead of adding.

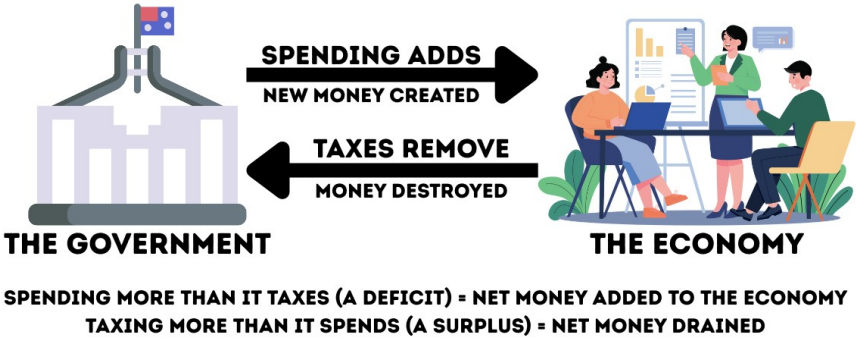


Figure 2 – The government spending cycle

You've probably noticed at this point how this is the exact inverse of what we're told: **rather than taxes going to the government and being used to fund its spending, the government creates and spends the money into the economy first, and then taxes drain that money from circulation in order to control inflation. And the way the federal budget works is also inverted as a result.**

The way we're told a budget surplus or deficit works is simple: it's the same way a household budget works, as explained above. But now look at the effect of how government spending and taxes really work on the equation: a budget surplus means that more money has been drained from the economy than has been spent into it – thereby reducing the total amount of money in circulation – and a budget deficit is the opposite, increasing the total amount of money in the economy. This means that, as a matter of pure arithmetic, **a budget surplus makes us all poorer, not richer.**

INFLATION AND THE REAL ECONOMY

“So the government creates money to spend, and then destroys it through taxes to control inflation. Doesn’t that still mean that a deficit causes inflation by creating more money?”

This is probably a question you’re asking now, and the answer is: **only if the real economy is at full capacity.**

What is the real economy? It’s the actual stuff – materials, labour, food, homes – that money is just a claim ticket for. If there are idle resources in the economy, government spending does not cause inflation, and if there are no idle resources – if everyone is employed, if there’s not enough bitumen for a road, not enough bricks or steel for building new homes or factories, etc. – then government spending drives up prices i.e. inflation.

There is another related potential cause of inflation aside from government spending: external shocks. Events like a war, pandemic, natural disaster, or some other external supply chain disruption produce inflation simply by reducing the available supply of a resource while demand remains static. This very form of inflation can be seen at present (as of writing) with rising fuel costs as a result of the war between the US, Israel, and Iran.

This form of inflation is largely out of the government’s control outside of policy measures like reshoring or finding alternative supply chains if available – trying to control such inflationary spikes with the usual tools is at best useless, and at worst counterproductive.

Which brings us to the tool currently used by the establishment and the RBA to try and control inflation: monetary policy i.e. **interest rates.**

Ask an establishment economist how higher interest rates fight inflation. If they’re honest, they’ll tell you: by slowing the economy until people lose their jobs and stop asking for pay rises.

The real question though, is: **do rate hikes actually work?** The short answer: yes – but slowly, and by hitting the wrong people. The tool works, when it works, by producing unemployment.

Interest rate hikes work by hitting everything and everyone with debt: households with mortgages, renters if landlords decide to pass it on, small businesses with overdrafts. And this is the case even if the inflation that triggered the rate hike was confined to a single sector within the economy – hardly the most effective tool in cases where single-sector inflation is better solved with a scalpel.

Rate hikes also take a long time to transmit their effects across the economy in a meaningful sense – this means that a rate hike made during an inflation spike can only make any significant difference after conditions have changed and the inflation in question is no longer present.

How long can this transmission take? Good question – and the RBA's own explainer provides the answer: *"Some estimates suggest that it takes between one and two years for monetary policy to have its maximum effect."*

So the RBA Board meets once a month and decides today's rate based on what the economy might look like two Christmases from now. Imagine a truck driver who turns the wheel, and the car only responds two kilometres down the road.

You can read the explainer for yourself at the QR code below.

SCAN TO READ THE RBA EXPLAINER

Rate hikes also can't fix supply-side inflation. Remember when the RBA kept hiking rates while your groceries were going up because of a war or a pandemic? Did the prices go down? No, because rising interest rates don't

grow wheat or unblock shipping lanes – in fact, slowing the economy might only make it worse. Punishing mortgages doesn't produce anything. Inflation is better fought with the right tool for the specific problem – targeted taxes and spending – not one interest rate lever for the whole economy at once.

And then we have the last matter: **where does all that added interest you pay go whenever the RBA hikes the rate?** Answer: **not to you.** To your bank and its shareholders – and to the people who already have money. Every rate hike takes from the indebted and gives to the creditor.

And this brings us to something which has been notably absent so far – because it doesn't matter nearly as much as we're told.

GOVERNMENT DEBT AND BONDS

If there's one thing politicians and pundits in Australia are constantly harping on about, it's the federal government debt. It seems we can rarely escape the establishment narrative on this front: if we keep running deficits, we have to take on more and more debt, and we'll never be able to pay it off. It's probably the most persistent point of complaint raised by the opposition of every single government in this country, from both major parties.

So, let's shut this one down here and now: **a government that issues its own currency can always afford to repay the principal and interest on debts denominated in that currency.**

There we go. The government debt is simply not an issue, because the government cannot go insolvent so long as all of its debts are in the currency it issues – in our case, in Australian dollars. And it is indeed the case that effectively all of the federal government's debt is denominated in AUD.

So how does government debt actually work? The answer can be illustrated with a simple comparison: have you ever taken out a term

deposit with your bank using money you just had spare and figured you could earn some interest on?

That's how Treasury bonds work, and the vast majority of the federal government's debt is various different types of Treasury bonds – private sector entities, whether that be individual investors, businesses, banks, or even foreign governments, parking spare funds for a fixed period of time with the RBA, earning interest until maturity, at which point they get the principal back.

And the interest paid on bonds is the same as any other government spending: money created by the RBA – the keys on the keyboard from earlier – and credited to the bondholder's account. The question isn't whether the government can afford to pay the interest – it can – but rather whether that spending competes for real resources, which is just a fiscal policy matter, not an insolvency crisis.

So insofar as these bonds can be considered government debt, they're not debt in the way that you might have debt to the bank in the form of a loan or credit card – they're debt in the way that your term deposit is the bank's debt to you – and in the case of the RBA, the bank can never run out of money to repay it, because it creates the money.

And unlike your term deposit, the government can never be forced into an early payout – bondholders can sell to each other if they want out, but they can't show up at the Treasury demanding their money back. The government sets the terms – including the interest rate yield it offers – pays on its own schedule, and always pays in dollars it creates. When a bond matures, the holder's dollars go back to their everyday account – where all they can do is hold them, spend them, or buy another term deposit.

At the end of the day, bonds like this are a service which the federal government offers to the private sector as an interest-bearing asset to park spare funds into – that's really all they are, and the government doesn't

need to offer this service at all, as bonds don't fund government spending either.

So next time the establishment tries to scare you about the debt, just remember: it's just the private sector's savings – mostly super funds, banks, and foreign central banks holding Australian dollars they had nowhere better to park – wearing a scary name, because the scary name is politically convenient for them.

NOTE: *This only applies to the federal government's bonds. State, territory, and local government bonds really are debts in the ordinary sense – those governments can't create the dollars they owe, so their bondholders really do hold power over them, unless the federal government bails them out.*

In saying this, while it doesn't apply to Australia, there is a case where government debt can be a genuine constraint – which is if the government debt is denominated in a foreign currency or commodity which it does not issue. This distinction will be important in a moment.

CURRENCY SOVEREIGNTY AND ITS PREREQUISITES

All of what we've gone through so far are the benefits of what's called **currency sovereignty** – a country with sovereign control over its currency and fiscal and monetary policy, without the traditional constraints of the gold standard.

For a country to have full currency sovereignty, there are three prerequisites, all of which must be true:

1. The country's currency must be free-floating on global currency exchange markets – pegging the currency to another currency or a commodity like gold constrains government spending by requiring it to defend the peg by holding foreign or gold reserves and restrain money creation, or borrow in the currency it's pegged to, which is exactly the constraint the establishment assumes still applies to us.

2. The currency-issuing government must have the ability to enforce the payment of taxes in its currency – in lieu of a peg, demand for the currency is generated by the legal and enforceable requirement that taxes be paid to the government in the currency it issues.
3. Any debt the currency-issuing government has must be denominated in its own currency – debt denominated in another currency or commodity requires the government to purchase that currency or commodity, which in a large enough quantity can trigger currency devaluation, hyperinflation, or economic collapse.

Australia has only had full currency sovereignty since 1983. Where it had previously been pegged through all of our country's history – first to the British pound sterling, then to the US dollar, then to a trade-weighted basket of currencies – the Hawke Labor government, with Paul Keating as then Treasurer, floated the Australian dollar in 1983, after the Nixon administration floated the US dollar in 1971.

With these prerequisites given, it's time to address the most common historical cases used by the establishment as an objection to any suggestion of high government spending and deficits.

The hyperinflation crisis that occurred in **Weimar Republic** in Germany between 1922 and 1923 is the quintessential example cited as a "cautionary tale" against high government spending. Germany at this time had its currency floated, moving off the gold standard along with other European powers in order to fund the war effort during World War I. Therefore, on the surface, this might seem like a great example to illustrate the danger of high government spending, right?

Well, let's subject the case to the prerequisites given above, as well as the knowledge we've gained about the relationship of inflation to real resources:

- After the war, Germany was forced to pay reparations primarily in gold or foreign currencies as part of the Treaty of Versailles. This violates prerequisite 3 – Germany's debts were not denominated in its own currency, and paying these reparations therefore required Germany to create large amounts of money to buy gold or foreign currencies to pay their reparations, tanking the value of their own currency in the process and driving up the cost of imported goods.
- This was worsened by the post-war collapse of Germany's industrial base due to war damage and export difficulties, which was further worsened by strikes following France and Belgium's occupation of the Ruhr industrial region over German defaults on reparations. This doesn't violate any of the prerequisites above, but represented a collapse in Germany's real economy, reducing the real resources available and driving up prices as a result.

In a situation like this, rapid creation of money as occurred in Weimar is not the cause, but the response – more money must be printed to meet the rising demand for currency and pay for the costs of government, or else the entire payments system collapses.

Note that Weimar in this case passed both prerequisites 1 and 2 – it was the violation of prerequisite 3 that killed it, which illustrates the importance of ensuring that government debt is only denominated in the currency it issues. The second case is not so lucky – and it's still a live patient: **Zimbabwe.**

In 2000, Zimbabwe implemented the Fast Track Land Reform, which gutted the country's agricultural production – by roughly 51% by 2008, by one estimate – and evaporated its export earnings. Again we see a collapse in the real economy, which in this case caused a collapse in the country's tax base. Still needing to pay soldiers and import food, the central bank financed the shortfall directly, resulting in hyperinflation, with peak monthly inflation hitting an estimated 79.6 billion percent in 2008. **Note**

the same order here: collapse → revenue failure → printing → spiral. Same as Weimar.

How does Zimbabwe hold up against our prerequisites? Unlike Weimar, Zimbabwe violates two: the country's currency was never genuinely floating – the government maintained exchange controls and a heavily managed official rate during the crisis, and a parallel market showed the reality at a wildly diverging rate. This isn't a float – it's a peg under stress, and a violation of prerequisite 1.

The country also had – and still has – massive amounts of debt denominated in US dollars, owed to the IMF, the World Bank, and other international creditors – debts which could not be paid in Zimbabwean dollars, but had to be serviced using US dollars the government could not create. So it also violates prerequisite 3. And the hyperinflation in Zimbabwe only ended when the country surrendered its currency entirely, shifting to foreign currencies, primarily the US dollar – with an attempted reintroduction of a local currency in 2019 collapsing within a year – until 2024, when a new gold-backed currency, the ZiG, was introduced, which has since lost more than 95% of its value.

It's notable that in both cases, prerequisite 2 – an enforceable tax regime – was not violated. But now you know the truth about the two biggest objections weaponised by the establishment against high government spending – and neither of them have any bearing on Australia, which has full currency sovereignty and meets all three prerequisites.

Find me one hyperinflation in history where the government owed debts in a currency it controlled, with a healthy productive economy behind it. There isn't one. Every single one was a country that owed in something it couldn't create — or whose farms and factories had collapsed underneath it. Australia owes its debts in Australian dollars, and we're one of the most resource-rich nations on Earth. Do the maths.

SUMMARY

I hope you've learned a lot up to this point about how the economy really works – and all of what we've discussed so far has a name: **Modern Monetary Theory** (or MMT for short). This is the meaning of the title of this Eureka Paper, and it has an Australian lineage: Bill Mitchell, an economics professor at Newcastle University, coined the term and has been among its biggest consistent proponents. He's been ignored by the Australian establishment for decades, alongside the theory itself – because an electorate that understands money is an electorate that can't be frightened with a budget crisis.

And with that, let's summarise what's been covered in this chapter:

- A currency-issuing government **cannot run out of money.**
- The government creates money first by spending it into the economy, then taxes remove money from circulation to control inflation – **taxes do not fund government spending.**
- Government spending is only inflationary when there are no idle real resources – unused materials, unemployed workers, empty factories – for it to buy. **Inflation is about real resources, not money.**
- The government can always afford to pay debts denominated in its own currency – **bonds also do not fund government spending.**
- Currency sovereignty requires a floating currency, an enforceable tax regime requiring taxes be paid in the currency the government issues, and all government debt being denominated in that currency.
- And lastly, Australia has full currency sovereignty.

With this summary, now we turn to the matter of what we can do with this information in terms of policy outcomes. The possibilities are bigger than most of us have been allowed to imagine – and this Eureka Paper, and the three to follow, will show you what they are.

2. POLICY OUTCOMES

The remainder of this Eureka Paper will focus on some concrete policy outcomes that can emerge from an understanding of Modern Monetary Theory.

It's crucial to note that MMT is ultimately a **descriptive lens** through which to view the economy, just as establishment economics is. And similarly, MMT can translate into a variety of different policy outcomes depending on the ideology and values of policymakers.

Neoliberalism is the dominant ideology which has guided policy outcomes from both major parties since the Hawke government. On the left, the Australian Greens similarly also broadly presuppose establishment economics (with some sections deviating), but seek to apply it in the form of a more progressive, social democratic ideology.

This is why the Greens are constantly talking about taxing the rich or more broadly raising taxes to "fund" a progressive welfare state. If the Greens adopted MMT, this would change considerably as they would understand that taxes do not fund government spending.

But before I lay out the Eureka Party's policy proposals, I'd like to illustrate the point about MMT producing different policy outcomes based on ideology and values by doing a little "what if?" scenario.

WHAT IF GERARD RENNICK ADOPTED MMT?

Gerard Rennick, for those unfamiliar, is a former Liberal Party senator and the leader of his namesake "Gerard Rennick People First Party", a protectionist, fiscally conservative and economic nationalist minor party. His views and program are generally akin in spirit to the Liberal Party under Robert Menzies as opposed to the present day Liberal Party, and I have chosen Rennick and some of his policies from People First's website to illustrate how MMT may alter some of his policies while maintaining

his fiscal conservative ideology (also, Pauline Hanson has nothing of substance to go off on economic policy, so Rennick is the next best thing).

If Gerard Rennick (and his party) adopted MMT as their descriptive lens, here are how some of his policies may change:

- **Infrastructure Bank:** People First currently supports opening an Infrastructure Bank, using infrastructure bonds issued to federal and state governments. **With MMT**, People First could instead fund public infrastructure projects directly using sovereign credit issued through the RBA.
- **Public Bank:** People First currently supports opening a new Public Bank (using Australia Post as the foundation). **With MMT**, the question of how to fund this is resolved, or alternatively, People First could use sovereign credit to simply renationalise the Commonwealth Bank, freeing up fiscal space for future infrastructure investment which would otherwise be invested in new banking infrastructure by inheriting the CBA's existing network and infrastructure.
- **Government Debt:** People First concerns itself greatly with the "unsustainability" of government debt. **With MMT**, the government can never become insolvent and can always afford to pay interest on bonds, so the debt is simply no longer a concern. However, for novelty, some MMT proponents also recommend reducing the interest rate on government bonds to 0% to free up fiscal space by eliminating interest payments on bonds entirely.

There could be countless more MMT-based adjustments made, however this should be sufficient to illustrate the point – MMT is a descriptive lens. Policy prescriptions are determined by the ideology and values of policymakers.

Now, onto the Eureka Party's proposal.

A VISION OF FINANCIAL TRANSFORMATION

The following policy steps are designed explicitly to be executed in the order listed – each step makes the one after it possible, and the reasons will become clear as we go – and will constitute a full redesign of the financial system in Australia based on the insights of MMT taken to their logical conclusion, with a hint of good ol' Christian anti-usury economics thrown in for good measure, to promote productivity, curb speculation, and restore Australian financial stability and monetary sovereignty.

STEP 1 – CAPITAL LOCKDOWN BILL

The first step of necessity is the passage of a **'Capital Lockdown Bill'**. This would be a temporary freeze on all capital leaving Australia or being converted into another currency which would be gradually wound back as economic stability allows.

This is necessary to avoid the potential for capital flight in anticipation of the remaining steps, which would be a rapid haemorrhage that would destroy the Australian economy before anything else can be executed.

STEP 2 – SOCIALISE THE BANKS

We're often told that banks serve the role of intermediaries within the economy – gathering up the money of savers and then putting it to work by loaning it out for interest. This too is a lie, and it's called the **loanable funds fallacy.** What actually happens is that when banks issue credit, the bank creates the money to credit your account from nothing – **exactly what the RBA does** – and then looks for reserves afterwards.

This means that whenever you take out a loan, the money deposited into your account is created from nothing by a private bank, which then charges you interest for the privilege. This might sound ridiculous, right? But here's the thing: **the RBA itself admits this.**

In a 2018 speech made by Christopher Kent, he stated it plainly: *"Money can be created, however, when financial intermediaries make loans…*

When a bank extends a loan, it makes money available to the borrower, for example, to buy a car, a house or equipment for a business. The bank may credit the deposit account of the borrower, who withdraws the funds to make their purchase… This process adds to the supply of money."



SCAN TO READ THE SPEECH TRANSCRIPT

And this isn't a fringe reading: the Bank of England, the Reserve Bank of New Zealand, and every central bank that's bothered to seriously examine the question has come to the same conclusion. A public power – the issuance of sovereign currency – operated as a profit centre for private banks. And the Eureka Party believes we should take this power back.

An attempt to socialise the Australian banking sector made by the Chifley government was struck down by the High Court on a constitutional basis, namely Section 51(xxxi) on "just terms" acquisition due to faulty valuation, as well as an interpretation of Section 92 on interstate trading which has since been abandoned by the Court.

Today, the government can use its currency sovereignty to create all the funds necessary for the full acquisition of all shares in the Big Four Banks (CBA, ANZ, NAB, Westpac), bringing them into public hands.

My proposal here would involve valuing shares at the most recent stable share price level (likely before an election or poll), accounting for any share market instability caused by the initiation of this process, with a 10% premium (or higher if negotiated) tacked on top to help ensure the acquisition is not struck down.

Something to note here is that acquiring private assets like this is not inherently inflationary if done strictly at 100% value, provided that the process does not impact the supply chain or heavily increase demand for

real resources, since the net financial assets of the private sector do not change. We are simply swapping shares for liquidity. The 10% premium may trigger mild inflation, but most likely relatively negligible in effect due to the nature of the acquisition, and easily controllable with the tools outlined later in this pamphlet.

Crucially necessary is another step – **abolishing central bank (RBA) independence**. MMT tells us that the RBA is already in effect a subsidiary of the Treasury, and that the doctrine of 'central bank independence' which has dominated Australian monetary policy since the Menzies government separated the RBA from the original Commonwealth Bank in 1960 is merely a political choice.

If the RBA remains independent, the Treasury lacks the ability to direct the creation of currency for government investment where it's needed.

MMT recommends therefore that the RBA should be under the direct authority of the Treasury, as it serves the crucial role of being the institutional issuer of the currency on behalf of the state.

With this, the next logical step is to fuse the RBA and the newly socialised Big Four Banks into a single state bank. Let's call it a "New Commonwealth Bank of Australia" or "**New CBA**".

STEP 3 – PERMANENT 0% INTEREST RATE

The third step after this is to immediately implement a **0% official cash rate** at the New CBA to cease all interest payments on government bonds, actioning that MMT proposal.

However, I did mention anti-usury economics before. So this would also come with a **0% interest rate on all lending by the New CBA**. In other words, a functional ban on usury/interest. This "ban" would not be legislative, but competitive, with the New CBA offering only interest-free lines of credit (home loans, credit cards, etc.) in competition with private creditors.

STEP 4 – DEBT JUBILEE

The fourth step is perhaps the most radical but necessary – a **Debt Jubilee** – or in other words, a 'clean slate' **mass forgiveness of debts**.

This idea can be found very explicitly in the Bible, namely in Leviticus 25. As financial historians note, the Jubilee year in ancient Israel (and many other ancient societies by different names) was a periodic economic reset proclaimed by the king involving the forgiveness/cancellation of all debts, the redistribution of land, and the emancipation of debt slaves.

While mythological in its description in Leviticus, the Jubilee in practice served a structural economic goal – preventing the emergence of a financial oligarchy. The reason why this was considered necessary can be demonstrated in cases where societies chose not to do this practice – that is, chose the **creditors** over the **debtors** – society would become increasingly indebted and unequal, and eventually the process of financialisation emerging from this would gradually eat away at the productive base of society until the society simply fell apart at the seams. This was the case in Western antiquity, most notably with the fall of the Roman Empire.

In the modern world, international finance capital has near-total control over the economy, crushing the masses under debt and causing the same process of financialisation that is eating away at the productive base of society. This has been accelerated in Australia and in the rest of the "Western world" since the shift to neoliberalism.

By socialising the Big Four Banks and implementing a 0% interest rate, the basis of usury is eliminated and the issuance of sovereign credit can now be used squarely in the public purpose rather than for the racking up of private debt. But we must go further.

This Debt Jubilee proposal has three distinct elements:

For government bonds, these can all be immediately liquidated, the New CBA crediting the accounts of bondholders with the full value of their principal, and afterwards, no more bonds need to be issued. Remember our metaphor comparing bonds to term deposits – think of this as the RBA simply maturing all of the term deposits early and crediting the everyday accounts of bondholders.

As with the socialisation process in Step 2, the inflationary effects of this are in reality fairly negligible given the Capital Lockdown Bill in Step 1 prevents capital flight, which could otherwise trigger imported inflation via a drop in the value of the AUD on currency exchange markets.

For private debts, a year of consolidation may take place where debtors (or creditors on their behalf) can refinance all remaining debts owed to private creditors with the New CBA at 0% interest, with no credit checks or expectation of repayment, and a temporary suspension of nonessential retail credit. After the year of consolidation, all of the debt on the balance sheets of the New CBA and all government agencies can simply be wiped clean, liberating millions of Australian households from debt overnight.

The reason for a temporary suspension of nonessential retail credit during the consolidation period is to prevent buyers from splurging on theoretically unlimited credit which will be wiped in the Jubilee with no credit checks or expectation of repayment, which will trigger a hyperinflation crisis.

For debts denominated in AUD which are owed to Australian firms or to the government by Global South nations (primarily the Pacific Islands), these debts can be unilaterally forgiven by the government at the same time. Remember that government debt denominated in foreign currencies cannot simply be repaid the same way that our federal government debt can – these countries currently hold debt in our currency which they cannot pay without bleeding their own people dry, and which we have used as a tool of coercion in the past.

This is an act of simple generosity which is rather inexpensive to Australia and will have little to no impact on the domestic economy, but will mean everything to Pacific nations when it comes to earning back trust we have lost.

The reason this step must take place after Steps 2 and 3 is so that the balance sheets of Australia's biggest creditors – the Big Four Banks – are now the government's balance sheets. Otherwise, the government cannot simply unilaterally wipe the balance sheets of private creditors – this would fall foul of Section 51(xxxi) of our constitution, as debts owed to creditors are treated as assets, and therefore, as private property; and the 0% interest rate effectively kills the profit motive of private lending through competition.

STEP 5 – LAND VALUE TAX AND TAX REFORM

With the Debt Jubilee carried out, all outstanding mortgages will have been forgiven, avoiding any issues with households falling into negative equity, which is when the market value of a property falls below the outstanding debt sum of the mortgage.

The next step is the implementation of sweeping tax reform. The insights of MMT carry the implication that the only purpose of **blanket taxes** such as income tax or the Goods and Services tax (GST) is to generate demand for the currency to be used to pay those taxes. Otherwise, inflation control may be done far more efficiently using **targeted taxes**, like commodity excise taxes or tariffs, which will be explored in the next section.

With this in mind, the sweeping tax reform is as follows:

> *Abolish income tax + GST + other blanket taxes* → ***Introduce a 100% Land Value Tax***

The Land Value Tax (or LVT) was proposed by American economist Henry George in his 1879 work *Progress and Poverty* for a simple purpose – to eliminate land speculation by taxing the annual rental value

of unimproved land at 100% (not including improvements such as buildings or productive add-ons).

This proposal has had a history in Australia – George's work inspired the early labour movement, and the Labor government of Andrew Fisher introduced a federal land tax in 1910 as a means of fighting the squattocracy – colonial-era large landholders who idly speculated on unproductive land – which remained in effect until it was abolished by the Menzies government in 1952.

The reason for proposing an LVT here is simple – the single biggest driver of Australia's contemporary housing crisis is **land speculation**. Not immigration. Not negative gearing. Not the Capital Gains Tax (CGT) discount. All of these are secondary. Negative gearing and the CGT discount are relatively minor distortionary measures, and while immigration is valid on the supply and demand front, it is still relatively minor, and certainly not the primary cause of house price inflation as Pauline Hanson and other right-wing politicians and pundits suggest.

Land speculation leads to land banks and other investors keeping housing and land off the market intentionally in large quantities to profit off annual increases in the unimproved value of the land. This often also crosses into the mining sector at times, where land that is good for mining will be used for speculative hoarding rather than, well, mining.

On the national accounts, residential land is worth roughly twice the value of the houses built on it – and the RBA's own researchers estimate that zoning restrictions alone add around 70% to house prices in Sydney and Melbourne. That's the speculative premium an LVT collapses. Therefore, taxing the annual ground rent on that unimproved land value will effectively strip the land value back out of house prices – cutting them by up to two-thirds, more where the speculative premium ran hottest, and encourage productive use of land over idle hoarding.

In short, taxing land – not houses, not farms, not buildings, just the bare land itself – at a rate high enough that sitting on empty land to wait for its value to go up is no longer profitable. Land prices fall, houses become affordable, and the only reason to own land is to actually use it.

This is the single most effective way to end the housing crisis, and to end it permanently. We stop short of abolishing private property in land – preserving the right of homeowners to own their homes – but we end the right to speculate on vacant land forever.

Only after we break the speculative monopoly can we have an honest conversation about immigration, supply, and demand. Until then, blaming immigration for high prices is a distraction from the real culprit: the banks.

Plus, the Land Value Tax can now serve as the blanket tax which generates demand for the currency, and can do so far more effectively by taxing speculation rather than production, income, or consumption. Therefore, we can simply abolish the income tax, GST, and all other blanket taxes which currently constrain production or consumption.

There are of course certain barriers to simply implementing a switch like this from the federal level, as well as necessary details on execution, but the details on those barriers and how the switch could be executed are too extensive and rather boring for this Eureka Paper.

Just remember, taxes don't fund spending – they control inflation.

A NEW MODEL OF ECONOMIC PLANNING

The question surely remains here – how do we control inflation above what a single blanket tax (the LVT) can control on its own? The Eureka Party's proposal is a new form of **economic planning**.

Economic planning is an idea historically plagued with inefficiency and allocation problems under 20th century Eastern bloc states like the Soviet

Union or Maoist China. This is because these regimes used a **command economy** where prices, wages, and the allocation of resources (including workers) were all determined from the top-down by a bureaucratic central planning agency (such as Gosplan in the Soviet Union) using '5-Year Plans'. China still operates its economy in this way today, though supplemented by market mechanics which resolve some of the problems of a full command economy.

Here, we propose a new form of economic planning, explicitly based on the insights of MMT, which I call **Fluid Fiscal Planning**. This is a form of economic planning directed towards the execution of public infrastructure or industrial projects as determined by government policy priorities, while keeping inflation to a minimum through the use of fiscal tools such as excise taxes, tariffs, and subsidies to manipulate markets towards fulfilling the public purpose rather than distorting them through direct allocation or price/wage controls.

Here are some simple examples of how Fluid Fiscal Planning can operate in practice:

COMMODITY EXCISE TAX EXAMPLE

The government needs to purchase 20,000 tons of steel for a new dam, out of a total available pool of 50,000 tons at $800/ton, but private firms are looking to collectively purchase 40,000 tons of steel for their own uses.

If the government chooses to go ahead and purchase 20,000 tons, the total demand for steel (60,000 tons) now exceeds the supply (50,000 tons). The result? Inflation. The price of steel goes up.

To prevent this, the government can levy a temporary 10% **commodity excise tax** on steel purchases, which increases the effective price of steel to $880/ton for private sector buyers ($800 base + $80 tax) while keeping the price the same for government spending.

If the tax is sufficient, it means the government can now spend on the required 20,000 tons of steel without creating inflationary pressure by bidding out the market, as the market will drive some buyers towards cheaper substitutes to avoid the tax, reducing the demand for steel. If the tax is insufficient or too high, the excise tax can be adjusted.

Once supply increases or demand goes down due to a lack of government need for steel, the excise tax is removed to restore the price to the base market rate.

SUBSIDY EXAMPLE

A new, domestically produced hydrogen electric vehicle model has entered the market, manufactured by a state-owned enterprise (*wink wink*), with mass production underway and enough supply for every family in Australia.

To meet carbon reduction goals, the government wants rapid mass adoption of the new model, but at a base market price of $80,000, the new model is more expensive than imported petrol and diesel alternatives currently on the market, and of course, not every family can afford to go out and buy a brand new car, so demand for the new model is low.

To encourage mass adoption, the government can apply a $75,000 **subsidy** on the purchase of the new model, lowering its effective price to only $5,000. Crucially, the subsidy would only apply to the first vehicle purchased to avoid increasing demand beyond supply or encouraging speculators gaming the subsidy for profit.

One family, one car at the subsidised price.

TARIFF EXAMPLE

The tropical fruit industry in Far North Queensland is collapsing because cheap imported canned pineapple (priced at $2/unit) is undercutting local growers whose production cost is $3.50/unit.

Without protection, local farms are closing, processing plants are idle, and the region loses its food sovereignty. If the government does nothing, the entire supply chain disappears permanently.

To save the industry without banning imports forever, the government imposes a temporary 40% **tariff** on imported processed pineapple products.

- For Importers: The effective price rises to $2.80/unit ($2 base + $0.80 tax).
- For Buyers: Supermarkets and consumers now see the imported product at $2.80 and the local Australian product at $3.50. The price gap is narrow enough that many buyers switch back to local brands to support regional jobs.

The result? Local demand surges. Farms reopen, processing plants run at full capacity, and economies of scale kick in. Over three years, local production efficiency improves, dropping the cost from $3.50 to $2.90.

Once the local cost drops below the taxed import price, the tariff is gradually reduced and eventually removed. The industry survives and thrives, protected only during its vulnerable recovery phase.

Note on Tariffs: I prefer to take an approach which keeps the use of tariffs on essential items to a minimum, as tariffs are often passed onto consumers, raising prices. When it comes to essential items at least, I would prefer the use of subsidies to domestic businesses over tariffs, provided subsidies are passed onto consumers in the form of lower prices.

INSTITUTIONAL IMPLEMENTATION

These are three quite simple examples showing how core fiscal tools can be used effectively in inflation control and to guide markets towards the public purpose.

However, when zooming out to look at the bigger picture, it becomes clear that while these examples illustrate fairly simple uses of these individual tools on the level of particular sectors or products, they fail to illustrate how much of a balancing act Fluid Fiscal Planning must be at the scale of the complex and interwoven web of sectors, markets and supply chains that is the economy as a whole.

Currently, the imposition and adjustment of taxes by the government requires the passage of a bill in Parliament. This is, of course, a process which requires much debate and deliberation, and therefore time – time which limits the effectiveness of Fluid Fiscal Planning, which requires real-time analysis of market information and the ability to quickly respond to market changes using fiscal tools, otherwise some sectors may inflate while others crash, resulting in economic turmoil.

Therefore, the execution of Fluid Fiscal Planning requires that there be an administrative body with relative autonomy over these targeted fiscal tools without needing to wait for a bill to pass through Parliament. In my view, the logical government ministry to which these powers should be delegated is the Treasury. This is because the Treasury also controls the central bank (the New CBA), and therefore, the means to execute government investment priorities through the issuance of sovereign credit where it needs to go.

So, Fluid Fiscal Planning would transform the Treasury from a simple manager of government coffers into the ministry responsible for executing critical fiscal and investment decisions based on government priorities as determined by Parliament.

“But isn’t that centralising too much power in a single ministry?”, you might ask. Without proper accountability and transparency, yes. So the following safeguards should be put in place with implementation:

- Deciding where to invest state credit should remain the exclusive purview of Parliament; Treasury merely executes the investment, and the fiscal adjustments necessary to keep inflation in check.
- If Treasury makes a mistake which harms the economy or the people, or acts maliciously, Parliament must have the ability to intervene and veto certain fiscal decisions made by Treasury.
- The decisions made by Treasury must be fully transparent, not only to Parliament, but also to the people for scrutiny.
- And, most critically, the ability of Treasury to exercise independent fiscal policy must be limited to targeted taxes and subsidies, **not** blanket taxes.

There is another side of the implementation that must also be addressed – coordination between the federal government and the state governments on matters of sovereign credit allocation for important public projects.

Currently, state governments often compete for grants and business, and act with broad autonomy in ways which may at times contradict the public purpose. For example, multiple Australian states each have their own railway networks for public transport, which are not always connected between states.

So what if the federal government wishes to pursue the construction of a national high-speed rail network connecting every major and regional city in Australia, along with cross-continental lines connecting inland rural and remote towns to cities? Surely such an undertaking, while certainly feasible (we have the resources and the money, just not the political will), must necessitate a greater level of tight-knit coordination between the federal and state governments than currently exists?

For this reason and others, I propose the establishment of a **National Treasury Cabinet**. This would be an intergovernmental forum similar to the National Cabinet established in response to the COVID-19 pandemic

for the Prime Minister and state Premiers to meet and coordinate consistent national responses to crises.

However, the National Treasury Cabinet would serve a different role, bringing the federal Treasurer and the Treasurers of each state together to meet regularly and coordinate the execution of key national infrastructure projects as well as the allocation of grants between the states, replacing competition with cooperation.

Of course, this would not be an asymmetrical relationship where the federal Treasurer dictates to the states on projects and grants; rather, each state Treasurer would represent the people of their state in the Cabinet, representing their needs and desires which they were elected to carry out.

Decisions would be carefully coordinated to ensure that each state government receives the grant funding it needs to execute the will of its constituents, while ensuring that key projects requiring national coordination – like the high-speed rail example mentioned above – are not fragmented by states acting selfishly with grants.

The combination of **Fluid Fiscal Planning** and the **National Treasury Cabinet** represent a novel system carefully designed with the insights of MMT in mind, which together create the foundation for a new kind of economy in Australia – one which serves the people, not the banks.

If you're interested in learning more about the details, you can scan the QR code below to read the first part of *Fluid Fiscal Planning: A Deeper Dive* on the Eureka Digest, the Eureka Party's official blog on Substack.



SCAN TO READ THE DIGEST

CONCLUSION

The choice is now yours.

For decades, we have been told that there is no alternative. That the "invisible hand" of the market will save us, even as it leaves millions behind. That we must tighten our belts, pay down debts that aren't a constraint, and accept that the wealthy will always get richer while the rest of us struggle.

That era is over.

Modern Monetary Theory is not a magic money tree as the establishment will assert. It is the realisation that a nation that issues its own currency cannot go broke, provided it has the workers, the resources, and the land to build a better future. And Australia has all three in abundance, more than most countries in the world.

The path forward is clear:

- **Lock the capital** to protect our economy.
- **Take back the banks** to end the usury monopoly.
- **End the cost of borrowing** with a zero percent rate.
- **Wipe the slate clean** for working families.
- **Tax speculation**, not work, to end the housing crisis.
- **Plan our economy** fluidly to serve the public purpose.

This is not a fantasy. This is the logical conclusion of what it means to be a sovereign nation. It is a vision of an Australia where every citizen has a job, a home, and a voice. An Australia where we are not servants to foreign banks, but masters of our own destiny.

The establishment will try to scare you. They will call this "radical" or "dangerous." But ask yourself – what is truly dangerous? A system that crushes families under debt and inflation? Or a bold, sober plan to secure our future?

Do you want to learn more about how the Eureka Party plans to Break the Chains that bind our nation and Build the Paradise we were promised?

Eureka Paper II, *Future Made in Australia Mk. II: The Path to the Working Man's Paradise*, will release on Boxing Day 2026, covering concrete proposals on labour and industrial policy, as well as our proposed constitutional Economic Bill of Rights.

Eureka Paper III, *Make Australia Beautiful Again: Permaculture & the Working Man's Paradise*, will be published in mid 2027, covering our vision for a restored continent and the revival of our regions and rural centres.

Eureka Paper IV, *Fortress Australis: Reclaiming Australian Sovereignty in a Multipolar Age*, will be published in late 2027, covering foreign, defence, and national security policy.

You can also check out the Eureka Digest on Substack to read a range of articles covering different aspects of the Eureka Party's policy program, including *From Integration to Segregation*, a nuanced take on the subject of multiculturalism, mass immigration, and foreign influence, and *Socialise the Supermarkets*, our bold proposal to bring the supermarket duopoly into public hands to help solve the cost of living crisis.

The Eureka Party's full program is available right now at **eurekaparty.au** to see what we're about, along with checking out a mock draft for a *Constitution of the Eureka Republic of Australia* when it releases before the 2028 federal election, to see our vision for a new democratic republic that puts you in control, rather than Canberra suits and unelected bureaucrats.

On the inner rear cover, you'll also find a commissioned piece of art depicting former Prime Minister Ben Chifley squaring off against the Big Four Banks that has also released as a Eureka Party flyer.

The tools are in our hands. The blueprint is in your pocket.

Do not let them tell you that change is impossible. Change is here. Join the Eureka Party. Vote for a sovereign future. Let's finish what the Eureka rebels and the early labour movement started, and finally reclaim our Australia.