MODERN MONETARY THEORY

A NEW AUSTRALIA-FIRST ECONOMICS

Working Australians across our country are suffering.

Cost of living is crushing families. House prices are untouchable. Household debt is drowning us in interest payments. 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.

To the political establishment – the politicians, the media, the economists – they tell you this is inevitable. They tell you that you are too expensive to help. 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 vault is 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 Eureka Paper is the first of four to be released between now and the 2028 federal election (more details in the conclusion). It explains why the rules you were taught about economics are a lie. It shows you how the system actually works. And it outlines the steps we must take to break the chains of debt and usury, putting the power back into the hands of the Australian people.

Read this. Understand it. Then join us in building a new Australia.

1. THE ECONOMY

There are two dominant worldviews regarding how to view the economy. But first we need to distinguish the **macroeconomy** from the **microeconomy**.

MACROECONOMY VS MICROECONOMY

Here we will start with the microeconomy, since this is no doubt the simplest for an individual to understand, as the microeconomy specifically concerns individuals, households, and businesses within a given national economy. This is the side of economics which describes the way in which *you* engage with the economy in your immediate life – your income, your employment or lack thereof, your expenditure, your debts, your preferences.

The macroeconomy, on the other hand, looks at the national economy as a whole – how many people are working versus unemployed, whether prices across the country are rising or stable, how much the nation is producing, and whether our economy is growing or shrinking.

Of course, the macroeconomy and the microeconomy do not exist in isolation from one another, they mutually affect each other. Individual choices on the micro level add up to certain outcomes on the macro level, while particular economic conditions on the macro level in turn influence individual choices. The fields of **macroeconomics** and **microeconomics** therefore simply study the same economy from two different vantage points.

The obvious question which will be answered in the rest of this chapter is: if the macroeconomy is made up of all the individuals, households, and businesses in the microeconomy, can you simply add up all the micro-level behaviour to understand the macroeconomy? Or does the economy as a whole behave in ways that couldn't be predicted from looking at any one person's situation alone?

ORTHODOX / NEOCLASSICAL ECONOMICS / NEOLIBERALISM

Australia’s present establishment – politicians, the media, mainstream economists, etc. – all subscribe to some form of one of the two major worldviews used to describe the economy, that being **neoclassical economics**. The dominant form the policy outcomes of this framework have taken since the reforms of the 80s and 90s under the Labor governments of Bob Hawke and Paul Keating, continued under the Howard Coalition government and by subsequent governments since under both major parties, is known as **neoliberalism**.

The neoclassical field is not a monolith, with other policy frameworks being presented by a number of different parties and groups across the political spectrum, from the social democratic ‘Green New Deal’ progressivism of the Australian Greens (though there are some heterodox influences within the Greens), to the economic nationalism of right-wing parties like One Nation and Gerard Rennick’s People First.

Nevertheless, while neoliberalism is only one of many policy frameworks emerging from neoclassical economics, it is the dominant one in Australia and the one best known by most Australians as it is the lens through which we often understand concepts like 'budget deficits' and 'national debt', and the framework that has shaped our daily economic reality for the last four decades.

For the sake of clarity and relevance to the Australian experience we will use the term ‘neoliberalism’ to refer to the dominant neoclassical worldview discussed in this pamphlet.

ASSUMPTIONS

An important assumption is made about ‘human nature’ within the neoliberal worldview – that individuals seek to maximise pleasure and avoid pain, with pleasure being defined broadly as **utility**. In this way, neoliberalism treats individuals as strictly rational, self-interested actors within the economy.

An ideological result of this assumption is that the blame for material destitution (poverty, homelessness, unemployment) is often placed at the feet of the individual experiencing the destitution; and, inversely, that material abundance (riches, mansions, passive income) is seen as being a reward based on merit. Hence, the latter is fiercely defended as having "earned their wealth" (which is rarely true past a certain point, as we will see), while the former is told to just "pick yourself up by your bootstraps".

Another assumption is that the market, when left to its own devices, tends towards **equilibrium**, defined as a set of relative prices (including wages) that equalise supply and demand within a given market (equilibrium within all markets in the economy is referred to as **general equilibrium**). This has often been framed using Adam Smith's famous metaphor of the "**invisible hand**" of the market, which you may have heard before.

The practical outcome of these assumptions (and others) in government policy is the belief that government regulation and intervention in the market is, broadly speaking, bad, as it hinders the work of the "invisible hand" in guiding the market towards a state of general equilibrium.

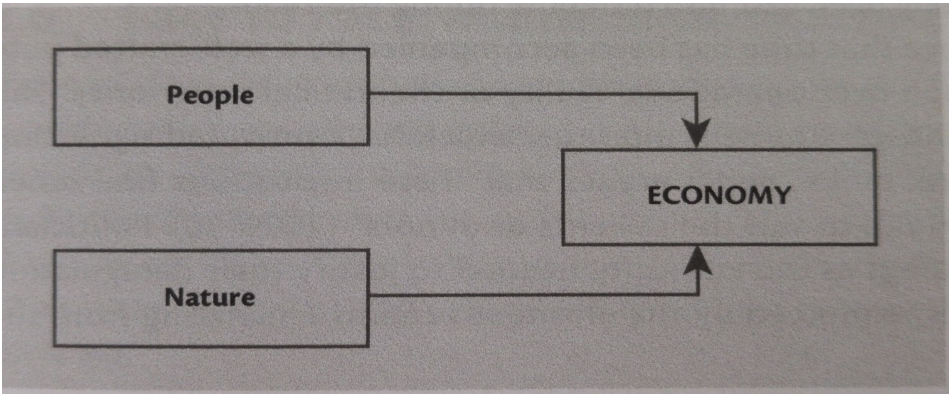
HOW NEOLIBERALS VIEW THE ECONOMY

A significant assumption made by neoliberals is about how the economy is constructed within their worldview, in which it is imagined as a living entity – almost a kind of deity – which exists above society (humans and nature) and is beyond human control, although it recognises our activity within it, and rewards – or punishes – us accordingly.

This elevation of the economy to the status of a living entity above society comes with certain metaphorical constructions which seek to anthropomorphise the economy (that is, describe it in human terms). If the government intervenes into the economy on behalf of those deemed ‘undeserving’ (the unemployed, the homeless, the disabled, etc.), the economy in turn becomes ‘sick’.

The solution is then to restore the economy’s ‘health’ by eliminating government intervention in the economy, including minimum wages, job protection, and income support.

The practical result of this assumption is that those who are unemployed or homeless or poor are blamed for their own position (whether that is true or not), rather than the blame being directed at systemic failures (shortage of jobs, shortage of homes or high rental/house prices, lack of income support or minimum wage sufficient for flourishing).



The Orthodox/Neoclassical View of the Economy, sourced from the textbook *Macroeconomics (2019)* by William Mitchell, L. Randall Wray, and Martin Watts

MODERN MONETARY THEORY (MMT) / HETERODOX ECONOMICS

Now that we have a basic explanation of the assumptions and practical outcomes of neoliberalism, let’s tackle the other macroeconomic worldview at play here which is the subject of this pamphlet – **Modern Monetary Theory**, or **MMT**, which fits into the broader category of **heterodox economics**.

Another form of heterodox economics, namely Keynesianism, named after early 20th century British economist John Maynard Keynes for his landmark tract *The General Theory of Employment, Interest and Money (1936)*, was the economic theory at the core of the post-WW2 social democratic settlement preceding the neoliberal turn in the 80s. This is the period many Australians fondly remember as a 'golden age' to return to, though there were issues at that time that are often forgotten.

In explaining MMT, it is best to start with the assumptions which it (and the broader heterodox tradition) makes about the economy and human activity within it, as these assumptions diverge sharply from those made by neoliberals.

ASSUMPTIONS

The first important assumption (or lack thereof, depending on interpretation) which MMT makes is rejecting the neoliberal assumption that human behaviour within the economy is inherently rational or self-interested, but is rather informed by institutions, culture and society, leading to inherent differences in general and individual economic activity between people in different countries depending on a variety of factors, including cultural traditions, power dynamics, economic uncertainty, and more.

The practical outcome of this is that rather than blaming individual destitution (unemployment, homelessness, poverty) squarely and solely on individual choices (which is rarely the case in reality), MMT blames individual destitution broadly on systemic failures, and aims to resolve these systemic failures through policy.

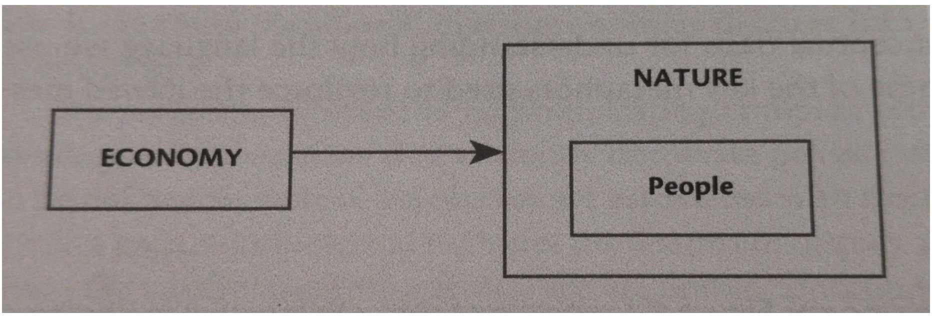
MMT also views the idea that people make only rational decisions within the economy with suspicion. To make this point, ask yourself – have you ever made a nonessential purchase e.g. a new car, phone, or another such item knowing for certain in advance and with flawless foresight whether the decision to purchase the item is a strictly rational one? I would assume in most cases, the answer is likely no if you really think on it for a while.

Or take a more essential case – you and your family need to eat to survive. But what determines your choice of what specific grocery items to buy at Woolworths/Coles, or whether you go and buy some McDonald's instead? Perhaps if your household budget is squeezed, that may be a factor in the decision – but does that make spending less a purely 'rational' choice, or one forced upon you by the specific economic constraints inhibiting you from spending more?

HOW MMT VIEWS THE ECONOMY

Similarly, MMT views the economy quite differently from neoliberalism. According to MMT, the economy is not a 'deity' or external entity existing above society which naturally tends towards market equilibrium, but as a construction of people embedded within particular natural conditions.

Therefore, rather than being seen as tantamount to a 'sickness' or distortion of the economy, government intervention in the economy via regulation, fiscal policy and monetary policy is seen simply as a means towards advancing the public purpose, which usually means full employment and price stability, and to many the public provision of essential services such as healthcare, education, housing or transport (bus, train, etc.).



The Heterodox/MMT View of the Economy, sourced from the textbook *Macroeconomics (2019)* by William Mitchell, L. Randall Wray, and Martin Watts

THE FALLACIES & METAPHORS OF NEOLIBERALISM

Now that we have a basic explanation of the assumptions and practical outcomes of neoliberalism, as well as the assumptions and potential practical outcomes of Modern Monetary Theory, there are popular metaphors used by neoliberal and establishment economists, politicians, and the media which reflect the underlying biases of neoclassical economics within. All of these are fundamentally fallacies according to MMT.

THE HOUSEHOLD BUDGET ANALOGY

The most popular metaphor used by neoliberals is to compare government budgeting to that of a household. This often takes the form of comparing the government issuance of bonds to fund high levels of spending (supposedly) to households taking on large amount of debt to splurge on consumption.

This analogy carries many other assumptions listed below which, while they seem intuitive to the average voter who experiences the constraints of household budgeting on a daily basis, are misguided:

- that the government is able to run out of money if it overspends
- that government spending requires first earning revenue (through raising taxes) or taking on debt (through issuing bonds)
- that in order for the government to pay back its debt (bonds), either taxes must be raised, or spending must be cut

These assumptions, and the household budget analogy more broadly, ignore a critical distinction – that between a **currency user** and a **currency issuer**.

The difference is that you or I cannot just create Australian Dollars out of thin air to fund household purchases. The government, however, can, since it issues the Australian Dollar – the creation of currency is typically the purview of the **central bank**, in our case, the Reserve Bank of Australia.

This unique ability of the government as the issuer of currency is called **currency sovereignty**, and is central to MMT. So now, in short, MMT's objections to the three points listed above are as follows:

- As the issuer of the currency, the government can never run out of money, as it can always create more (through the RBA),
- therefore, government spending does not require "funding" through taxes or the issuance of bonds,
- and the government can always create new currency to pay its interest obligations on bonds denominated in its own currency, or even liquidate those bonds outright

Now, your immediate objection to this is probably "but what about inflation?" Good question. MMT has an answer.

GOVERNMENT SPENDING AND INFLATION

Neoliberals will often claim that government spending without first raising taxes or issuing bonds to fund it will cause inflation.

This argument is based on what is known as the **quantity theory of money**, which states that the price of goods within the economy is determined by the quantity of money in circulation relative to the quantity of goods. Through this lens, any increase in the supply of money (AUD) within the economy that is not matched 1:1 with an increase in the quantity of any given good (say, a loaf of bread) automatically causes the price of said good (the loaf of bread) to go up according to the increase in money supply, hence, inflation.

The quantity theory of money has been found to have largely broken down within modern developed economies since the shift away from the **gold standard** (where currencies were pegged to gold, or to another currency which was pegged to gold) towards the **fiat standard** (where currencies are floated on global exchange markets and are hence backed by the productivity of the economies that use it). This process began when the US Dollar was removed from the gold standard by the Nixon Administration in 1971, and the Australian Dollar was subsequently removed from its prior peg to the US Dollar and floated in 1983 under the Hawke government.

The shift away from the gold standard towards modern fiat currencies fundamentally transformed how economies operate, and MMT emerged to illustrate this shift by reviving **chartalism**, also known as the **state theory of money**.

Under chartalism, money is not treated as a commodity, but rather as a 'creature of the state' – that is to say, a currency medium of market exchange created and issued by the government via its central bank.

Through this lens, a currency has no inherent value; therefore, demand for the currency (and hence its practical value) is created through the requirement that taxes levied by the government be paid in the currency of issue (AUD), a requirement that is enforced by law.

Traditional chartalism, which originated with Georg Friedrich Knapp's 1905 work *The State Theory of Money*, however, was rather vague about the source of inflation, attributing it to a failure of state accounting with no real mechanism for what the limit on currency creation was without causing inflation.

MMT filled the gap using insights gained by studying modern fiat economies by tying this limit to the **real economy**, or in other words, production. Within MMT, inflation is the result of too much money chasing scarce real resources (labour, raw materials, finished goods). In basic terms, inflation is simply a matter of supply and demand within the real economy.

Therefore, while taxes create the demand for the currency that gives it its value, taxes also serve a role of controlling inflation. Taxes control inflation by removing money from circulation within the economy (literally destroying that money, given most money today is digital), thereby reducing the purchasing power of entities in the private sector, whether that be households or businesses, freeing up real resources for the government to purchase without driving up prices.

The traditional tool of choice for neoliberals – monetary policy i.e. interest rates – has been shown by proponents of MMT to be consistently rather ineffective for the purpose of controlling inflation, primarily due to a significant lag between a change in interest rates under certain conditions and the actual effects of that change in interest rates on the economy at large, by which point the conditions which necessitated the rate change are often no longer present. Interest rates also punish the entire economy rather than being targeted where needed.

Therefore, fiscal policy i.e. taxation serves a better role as a primary tool for inflation control than monetary policy.

"HYPERINFLATION" EXAMPLES DEBUNKED

There are two common examples cited by neoliberals to fearmonger about "hyperinflation" resulting from high government deficits – Weimar Germany during the interwar period, and Zimbabwe more recently.

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. As with the Zimbabwe example, Germany at this time was on the fiat standard, 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?

Wrong. Upon a closer examination, there are other critical factors which played a role in the post-war crisis in Weimar Germany that make the hyperinflation outcome perfectly consistent with the insights of MMT:

- After the war, Germany was forced to pay reparations primarily in gold or foreign currencies. While a currency-issuing government can always afford to pay off debts denominated in its own currency, this is not true for debts denominated in foreign currencies or specific commodities (like gold). 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. Remember that the ability of the government to create money without causing inflation is dependent upon a careful balance of supply and demand. If demand outstrips supply, inflation results. This collapse of Germany's industrial base further exacerbated inflation.

According to MMT, 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.

The other example more recently cited is **Zimbabwe**. Here we see the same trend. Rapid land reform in the 2000s destroyed the country's agricultural output, exacerbated by sanctions, reactive mass money creation and a loss of confidence in the country's currency producing a hyperinflation spiral, ultimately leading to Zimbabwe abandoning its own currency and adopting the US Dollar in 2009, effectively losing its currency sovereignty.

Both of these examples give us an insight into what really causes hyperinflation crises. It’s not simply “printing money” as neoliberals say – inflation occurs when demand outstrips supply. **As long as the supply-side capacity of the economy increases to produce more supply to meet demand added by government spending, that spending will not cause inflation.**

SUMMARY

Neoclassical economics, the theory behind neoliberalism, contains numerous presuppositions about the nature of taxes, bonds, and government spending, which have ceased to be true with the global shift away from the gold standard. Modern Monetary Theory (MMT) is a theory which better explains contemporary macroeconomic realities under the fiat standard:

- a government which issues its own currency (AUD) cannot become insolvent
- taxes do not fund government spending, but rather are a tool for controlling inflation by removing money from circulation to reduce the purchasing power of the private sector
- the government can always create the currency needed to pay interest on bonds denominated in its own currency, or to pay off bonds outright

2. POLICY OUTCOMES

The remainder of this pamphlet 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 neoclassical economics is. And similarly to neoclassical economics, MMT can translate into a variety of different policy outcomes depending on the ideology and values of policymakers.

As mentioned in the first section, neoliberalism is merely the dominant ideology which has guided policy outcomes since the Hawke government. On the left, the Australian Greens similarly also broadly presuppose neoclassical 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 my 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, fiscal conservative economic nationalist minor party. His ideology seems generally akin 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 (presumably 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 (or liquidate them entirely), so the debt is simply no longer a concern. However, for novelty, 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 my proposal.

A VISION OF FINANCIAL TRANSFORMATION

The following policy steps are designed explicitly to be executed in the order listed, 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

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 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) but 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. 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.

- For debts denominated in AUD which are owed to Australian firms or to the government by Global South nations (primarily the Pacific Islands) can be unilaterally forgiven at the same time. These debts are currently unpayable by those nations, and are used for coercion by our government at present. 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.

Note: 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.

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 + stamp duties →* ***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, but I'll let you do your research on that one.

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.

Approximately 70-75% on average of current house prices in Australia is solely the value of the land on which the house is built that is speculated on by the banks. Therefore, taxing the annual ground rent on that unimproved land value will effectively reduce house prices by 70-75% 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 stamp duties.

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 pamphlet.

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? My 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, I 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 real market 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 **microeconomic** level, 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 **macroeconomy**.

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.

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 don't exist, 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?

The second Eureka Paper, *Future Made in Australia Mk. II: The Path to the Working Man's Paradise*, will be published in December 2026, covering concrete proposals on labour and industrial policy.

The third, *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.

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

Until then, you can check out the Eureka Party's policy program right now at **eurekaparty.au** to see what we're about while you wait for the next Eureka Paper, 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.

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.