

SUBMISSION ON POLICY ISSUES IDENTIFIED IN THE INTERIM REPORT

Submitted By: Brett Wilson

Email: [REDACTED]

Phone Number: [REDACTED]

Submission for: My Self

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The Big banks must be broken up for the financial safety and security of the Australian and financial protections put in place to protect the wealth of the Australian people. For 66 years the Glass-Steagall Act reduced the risks in the banking system in the United States. Eight years after the act was repealed, the banking system exploded threatening the international economy. In the USA, taxpayers were forced to come up with \$750 billion dollars, a sum much larger than the Pentagon's budget, in order to bail out the banks, and even this huge sum was insufficient to totally bail them out. The US Federal Reserve had to step in and expand its balance sheet by \$4 trillion USD in order to protect the solvency of those banks declared "too big to fail."

The enormous increase in the supply of dollars known as Quantitative Easing inflated financial asset prices instead of the consumer price index. This rise in bond and stock prices is a major cause of the worsening income and wealth distribution in the United States and same applies to Australia's worsening income and wealth distribution among we the people.

This unfair and imbalanced wealth distribution will come at huge costs and for the benefit only of the 1%, the rich who were already rich.

Due to our current unsustainable banking and financial system, we have a somewhat egalitarian democracy with a large middle class into the One Percent vs the 99 percent. The current system and the imbalance does not provide for the long term, an open and prosperous society. The electorate is very much aware of the decline in their economic situation, and this awareness is coming more apparent as the crimes of the Big banks and their stealing of wealth from the people is slowly being exposed, but more needs to be done so more victims are heard by a Royal Commission, and all victims are fairly compensated for the hardship and financial suffering - Torts that these banks have committed against them.

The debt based banking and financial system that the Australian Government has adopted, is becoming so unsustainable, that Old Age Pensions are under threat of being terminated in the future. This would not be the case under a Sovereign Monetary System where the Federal Treasury - The State via the Central Bank could regulate and expand the nations money supply and not provide this privilege like it does now to the private banks which is arguably Unconstitutional or even unlawful as I am not aware of any Act of parliament that allows for this, and if there was such an Act, it would be arguably repugnant to the laws of the Constitution regarding Banking, and the regulation of the nations monetary system.

The sovereign money approach is based on the view that:

1. Money creation can be conducted more effectively and appropriately by the state than by commercial banks, and
2. The payment system would be safer if it were separated from the lending activity of banks

Banks create new money in the form of the numbers (bank deposits) that appear in bank accounts, through the accounting process used when they make loans. In the words of the Bank of England:

"When a bank makes a loan, for example to someone taking out a mortgage to buy a house, it does not typically do so by giving them thousands of pounds worth of banknotes. Instead, it credits their bank account with a bank deposit of the size of the mortgage. At that moment, new money is created." (Bank of England Quarterly Bulletin, 2014 Q1)

Conversely, when people use those deposits to repay loans, the process is reversed and money effectively disappears from the economy. As the Bank of England describes:

"Just as taking out a loan creates new money, the repayment of bank loans destroys money. ... Banks making loans and consumers repaying them are the most significant ways in which bank deposits are created and destroyed in the modern economy." (McLeay et al., 2014)

This power to create money, in the hands of commercial banks, has been highlighted as one of the root causes of both the Great Depression of the 1930s and the financial crisis of 2007-2009. The former chairman of the UK's Financial Services Authority, Adair Turner, has argued that: "The financial crisis of 2007/08 occurred because we failed to constrain the private financial system's creation of private credit and money.

It is my understanding, these same process the Bank of England describes also applies to our banking and monetary system here in Australia.

It makes perfect sense to separate commercial from investment banking. The taxpayer insured deposits of commercial banking should not serve as backing for investment banking's creation of risky financial instruments, such as subprime and other derivatives.

In the USA, they merged commercial banking with investment banking, the repeal of Glass-Steagall greatly increased the capability of the banking system to create risky financial instruments for which taxpayer backing was available. So, we have the extraordinary situation that the repeal of Glass-Steagall forced the 99 percent to bail out the One Percent.

According to Dr Paul Craig Roberts, who was awarded the US Treasury Department's Meritorious Service Award for "his outstanding contributions to the formulation of United States economic policy, in one of his many articles he has said that the repeal of Glass-Steagall Act has turned the United States into an unstable economic, political, and social system. We have a situation in which millions of Americans who have lost full time employment with benefits to jobs offshoring, whose lower income employment in part time and contract employment leaves

them no discretionary income after payment of interest and fees to the financial system (insurance on home and car, health insurance, credit card interest, car payment interest, student loan interest, home mortgage interest, bank charges for insufficient minimum balance, etc.), are on the hook for bailing out financial institutions that make foolish and risky investments.

The current system is not politically viable unless the entire Federal Parliament and the Executive are going to resign and turn over the governance of the Commonwealth of Australia to the Big Australian and International Banks. A growing crescendo of voices are saying that this has already happened, and if this is the case, then we have a Constitutional crisis on our hands.

There is no democracy when the One Percent can cover their losses at the expense of the 99 Percent, which is what the current system without a Glass-Steagall Act to separate banking guarantees.

We must introduce a Glass-Steagall Act here in Australia, which must include the Big Four Banks or others of similar financial power, being reduced in size. For the Federal Government or any Government Minister to suggest that any corporation is too big to fail, is a contradiction of the justification of capitalism. Capitalism's justification is that those corporations that misuse resources and make losses go out of business, thus releasing the misused resources to those who can use them profitably. Capitalism is supposed to benefit society, not be dependent on society to bail out.

As Assistant Secretary of the US Treasury in the Reagan Administration, Dr Roberts opposed all financial deregulation. He claims that Financial deregulation does nothing but open the gates to fraud and sharp dealing. It allows one institution, even one individual, to make a fortune by wrecking the lives of millions. This is what we are seeing now in the Royal Commission i.e. the damage these institutions have been doing and have been allowed to get away with under the current regulatory captured system.

Much of the Australian public may not fully comprehend what this current un separated crooked banking system is doing to them, and they may not be sufficiently sophisticated to understand these matters, but they know when they are hurting financially. Oddly enough, it seems that ministers in our Parliament and the Executive are sufficiently sophisticated to understand these matters, but they do know that to understand them is not conducive to having their palms greased by the Big Four banks who allegedly donate hundreds of thousands of AUD to their election campaigns.

The question to both the Liberal Party and the Labor Party is whether they are willing to bring we the people and the country to our knees for the sake of campaign contributions and cushy jobs with big banks should they lose their seat at an election, or will they take the personal risks, representing the people of their electorates and doing what is just and right, to protect the economic and financial welfare, well being and best interests of their people in order to save the country from the Criminal banks.

The excessive risks of the big banks and their on going financial fraud can not be bailed out by taxpayers if this country is to prosper going forward. These banks must bare the reckless financial burden that they created, just like every other listed company on the ASX, they must take responsibility for the bad decisions they make, Tax payers are not required to bail these companies out, nor do these companies have the luxury of creating assets or credit out of nothing like the Big four Banks do. State owned an operated banks do not carry such risks or demands to be bailed out of bad gambling debts made by their employees.

We must not fall into error, we must consider the vital importance of Glass-Steagall to the economic, political, and social stability of the Commonwealth of Australia. I do not want the financial responsibility for the reckless financial practices of the big Australian banks or any other. I do not want big banks to monopolies and totally dominate the banking and financial arena. We must introduce a Glass-Steagall Act.

If we don't enact a Glass-Steagall Act now, the risks taken by financial greed of these bankers will complete our economic destruction. Those in positions of power in the Government must act now or be held responsible for doing nothing when you had the opportunity to do something.