

**SUBMISSION ON POLICY ISSUES IDENTIFIED IN THE INTERIM REPORT**

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Submission for: My Self

Name of other person, business or organisation:

Do you agree to your submission being published: Yes

Do you agree to your full name being published: Yes

Your submission:

I am writing this submission to express my personal views on what has been reported in the Interim Report. I think the amount of money the banks have allowed to be borrowed may result in a severe economic downturn for this country. It has contributed to astronomical house prices, increased the risk of default, and created a giant debt bubble. Many parallels can be drawn between what has happened here in Australia over the last decade, and what happened in the United States 10 years ago. The RBA and government policies have ensured people who take out more loans for investment are rewarded with low interest rates, and favourable tax breaks like the discount on Capital gains tax and negative gearing. Meanwhile those who are saving for a deposit are being punished by low interest rates, rising house prices and tax on interest earned for putting money in the bank.

The parallels can also be drawn to the stock market crash in 1929. The belief that stock prices will always go up (sound familiar?) led to many people borrowing money to buy shares, eventually the bubble burst and the stock market crash contributed to the Great Depression of the 1930's. After that period there were many changes introduced to the banking sector, including separating the commercial bank business from Investment banking, known as Glass-Steagall. After many years these laws were watered down as they were seen to be old fashioned, subsequently many big banks in the United States folded last decade. I'm sure that most people in Australia would be surprised to learn that their money in the bank can be used by the bank to invest in shares, bonds and the like. Perhaps equally surprised to learn that the banks can use their customers deposits to prop up the bank if any of these investments go bad, ie. 'bail-in'.

Although it's too late now to reverse the massive debt created partly through the banks own search for profits above anything else, The separation of the commercial and investment banking sector must be a priority. Australia is not different, history has a way of repeating for those who ignore it. Australia did not survive the GFC, we only delayed it.