

SUBMISSION

As I presume you must be aware Mr. Hayne, “money,” in whatever form it takes, is an absolutely essential tool for survival in this day and age.

As the chair of this Royal Commission, I must also assume you understand the fundamental purpose for having a “money” system in the first place. To me, it is patently obvious that the only reason any nation chooses to have a “money” system is to provide a universally accepted and guaranteed token that can be used as the nation’s medium of exchange.

Eventually, when people come to their senses and start to look at the financial system in a logical and rational way, they will begin to understand this fact. If it is accepted that “money tokens” are an essential tool for survival, then it is axiomatic that every nation needs a properly legitimate medium of exchange in order to function.

There really is no other logical reason for having a “money” system.

In the past people used to ask, “Do we have enough “stuff” and enough people to do what is needed?” Today, the question is, “Do we have enough money and can we afford to do what is needed?”

If money is really such an essential idea for a society to function in today’s environment, isn’t it also logical that the creation and distribution of a money system should be an essential public responsibility and an essential public service provided by the nation’s Government?

When you look at “money” objectively it really has no practical purpose other than as a medium of exchange. You can’t drink it, you can’t eat it, it won’t keep you warm and it won’t keep you healthy - at least - not until you can exchange it for all those things you need to stay alive.

“Money” can certainly buy you power and authority - but therein lies the crux of the issue. You can only use it to buy something that someone has to sell, whether it is a commodity or some influence. In other words, the only real purpose for having a “money” system is to create a convenient, practical and efficient medium of exchange.

So, why does society need an acceptable medium of exchange? That’s pretty obvious. Some people make things, grow things, provide a service, build houses, and whatever, and other people find they need or want to use some of these things that are available. How much easier is it to use “money” and put a price on what’s available rather than having to go into the cumbersome method of barter trade?

It really doesn’t matter what token is used as “money” as long as it has two essential characteristics. First, the token needs to be well accepted within the society, and secondly, the token needs to have some sort of guarantee it is not a false token.

If those two characteristics apply then the "money" tokens do not need to have any intrinsic value.

In reality, anyone can create a "money" system but it could become a nightmare in trying to compare one system against another, let alone knowing how to guarantee that any of a multitude of tokens are genuine.

Again, logically, any given society would find it far more practical to have one form of token that is universally accepted, and any such token that can carry a guarantee that it is not a false token. It seems only a matter of common sense that a nation's Government is really the only entity that is in a position to declare what shall be the nation's legal tender, and also, the only entity that would be in a position to guarantee the authenticity of the tokens by punishing any counterfeiters.

As a result of this bit of logical reasoning, it brings us to the conclusion that a "money" system is really an essential responsibility of a Government to provide their society with a universal and guaranteed medium of exchange. In other words, the nation's money system and its money supply is an essential public service that any responsible Government should control and administer.

Of course, if this were to happen it would turn all the current economic theories on their head. But it would also bring in a whole new series of parameters that would be essential for measuring the amount of money the nation needs.

Those parameters are what would be used by the Government to control and administer the money supply in the best interests of their people. Essentially, a nation's money supply is determined from three things. The level of the nation's population, its demographics and its location, is the first parameter. The second factor is the productive capacity in terms of what is needed and wanted and what can be produced from the available resources. The third factor is the nation's consumption capacity in being able to consume what is produced and whether that production is consumed domestically or internationally.

Obviously, there is absolutely no point in producing anything, anything at all, if it is not going to be consumed. A proper economic system must give very serious thought as to the best way to provide purchasing power to the population in a way that it can achieve a reasonable balance to the nation's productive capacity. As long as these two factors are in reasonable balance inflation and deflation cannot become problems.

What the current economic system has shown is that the private sector has an enormous amount of imagination and ability to provide for the multitude of wants and needs of the population. No Government has ever displayed that level of imagination and no Government should be expected to. Among the other responsibilities of a proper Government system is the requirement to provide, what we now class as the "essential public services" necessary for our modern society to function. Some of those services include a practical and planned

infrastructure for supplying power, water, sewage services, communication, a good road system, convenient public transport, an educated and healthy population and a genuinely impartial justice system, all in cooperation and coordination with the private sector.

If anyone would care to look at the 19th century document that the lawyers and politicians use as Australia's Constitution they would see that Sections 51(xii) gives the Federal Parliament complete authority to create all the “currency, coin and legal tender” that Australia needs for its welfare and prosperity. As every honest “economist” knows, this makes the Australian Parliament the only authority allowed to declare what shall be used as Australia’s “money”, as well as deciding how much “money” is needed.

As the Government is, constitutionally, the sole authority allowed to create what shall be designated as the nation’s legal tender for use as the nation’s money supply, there really is no problem for any Government being able to afford the provision of these publicly owned essential services. Each of these publicly owned assets are owned by the people of Australia, they are never the “property” of any political party that happens to form a Government. Therefore, without the permission of the people through a nationwide referendum, any attempt to privatise and sell off, all or part of any such asset, is actually a criminal offence in dealing with stolen property. A Government’s obligation in respect to publicly owned assets is as a caretaker responsible for maintaining and operating the assets in the best and most efficient way for the benefit of the nation. In relation to that responsibility, and the required amount of “money” needed to carry out that responsibility, the only restriction is whether there is enough “stuff” available and enough people to do the necessary work.

Despite the Federal Parliament having this authority to create “money as they need it, no Government since the Fisher Labor Government in 1911 has ever made proper use of it. It was that Fisher Government which established the original Commonwealth Bank of Australia as a true and proper, publicly owned bank, for the benefit of serving the nation.

According to the Reserve Bank’s published statistics, in 1959 the Australian Parliament created 11% of the nation’s supply of “money” as hard currency in the form of notes and coins. By 2014, the Parliament has reduced this proportion of hard currency to just 3.5%.

If the Parliament were to restore the ratio back to the 11%, and in accordance with the published figures of 2014, this would mean the Government would have an extra \$1450 billion dollars available at the cost of producing the notes and coins. That cost could be greatly reduced if the Parliament were to use the same process they allow the private banks to use, by simply creating the extra “money” as digital “money” via punching a keyboard on a computer.

Australia’s supply of “money” really only comes in two forms. The most commonly recognised and smallest proportion is the physical cash in the form of

dollar notes and coins. The 90% plus of the “money” supply is in the form of interest bearing credit created by the private banking fraternity when they grant loans to the general public or the Government. The private banks are allowed to do this with the connivance of the Parliament.

It is actually quite ridiculous that a monetary sovereign nation, which Australia is, should ever need to issue bonds and “borrow” money from the private sector. It seems this stupid and unethical practice of putting the nation in unnecessary debt is continued simply because it has become traditionally accepted. As long as Australia operates on a fiat currency system there is no logical reason to continue the practice.

The next section of the “Constitution” following on from Section 51(xii) is Section 51(xiii), which gives the Federal Parliament complete control of ALL banking in Australia EXCEPT State Banks that operate within the borders of the States.

The banking industry does not need to be nationalised because the Australian Parliament has the constitutional power to control and regulate how the private banks function, other than State owned banks that is.

This means that Australia’s prudential regulatory authority is completely the responsibility of the Federal Parliament. If the Parliament were capable of ensuring the regulatory authority did the job they are supposedly required to do, there would be no need of any expensive Royal Commission.

I can say without any fear of contradiction, there would not be one single politician in the Federal Parliament who has ever bothered to read and understand what is used as their “Constitution”. If they did, they would know the Federal Parliament does not operate in the way it is described in the document. The 19th century document does not include any mention of political parties and it doesn’t even bother to create the position of a Prime Minister, let alone spelling out what powers and authority might go with such a position.

As for the private banking system, this has actually proven very capable in serving the function of distributing the money supply to the private sector. The economic system should use those banks for that function. However, instead of allowing the banks to create interest bearing credit to lend to their customers, the banks should be purchasing access to their required amounts of “credit” from the Government. The amount of “credit” the banks want is determined through genuine due diligent appraisal of any proposal from their customers. Based on a contract between the borrower and the bank, the bank only needs to add an administrative fee on top of the cost to purchase the “credit” from the Government, plus a competitive profit margin in relation to the term of the loan. There would be no justification for charging interest and the expensive evil of compounding interest would be eliminated. Competition between the banks would determine the profit margins the banks could charge their customers.

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