

Michael Seymour

Victoria 3085

20<sup>th</sup> August 2014

## **SUBMISSION TO THE FINANCIAL SYSTEMS INQUIRY:**

### **Regarding Issue of Too Big To Fail Banks**

Dear Mr. Murray,

I am deeply concerned with the economic situation in Australia. I know people whose lives were ruined because of the panic in the Australian banking system during the Global Financial Crisis in 2008. What is the government doing to completely protect people's bank deposits and to prevent another financial crisis in Australia?

Approximately 4 weeks ago I met the local Liberal candidate for the coming State election. I asked him if he knew of the Glass Steagall Banking Separation Act. He said that he had never heard of it. I gave him a brief explanation of why it was introduced by President Roosevelt. I explained how it helped the United States to recover from the Depression, how it helped to protect the banking system and why President Clinton repealed it in 1999 under pressure from Wall St. and why we subsequently had the GFC in 2008. I then offered to e-mail him some information so that would be able to have a good understanding of the Act.

I met the same candidate again last Saturday and I asked him if he had looked at the information about Glass Steagall. He said that he had spent 10 minutes looking at it and he disagreed with it. When I asked him some questions about it, he had no understanding of it and he did not want to discuss it. How many other Federal and State politicians also have no understanding of Glass Steagall and have this same attitude?

When I initially met the same local candidate 4 weeks ago I asked him if he knew anything about the history of the Commonwealth bank. I asked him if he knew why it was established 100 years ago, how it was used to provide credit

for major works such as the Trans-Continental Railway, the Snowy Mountain Hydro-Electric Scheme and particularly how it was used to fund the war efforts during the first and second world wars.

Once again the local candidate had no knowledge of any of this. How many other Federal and State politicians have no knowledge of how the original Commonwealth Bank was designed to function and how it could provide credit for essential public works and infrastructure?

More importantly, how many politicians know that the original Commonwealth bank worked effectively in the past and yet refuse this strategy in favour of the private banks and to the detriment of everyday Australians?

My late father gave me a booklet entitled Banks and Facts written by Bruce Brown in 1941. On page 32 of the booklet there is a quote by Philip Benson, President of the American Banking Association: "There is no more direct way to capture control of a nation than through its credit system."

And on the same page there is a quote by Arthur Kitson: "The money question is the greatest moral and social question which mankind has ever had to consider. It concerns the lives, fortunes and happiness of every human being in society and of generations yet unborn. All other questions sink into insignificance compared with this one."

More recently, Pope Francis has stated, "While the earnings of a minority are growing exponentially, so too is the gap separating the majority from the prosperity enjoyed by those happy few. This unbalance is the result of ideologies which defend the absolute autonomy of the marketplace and financial speculation. Consequently they reject the rights of states, charged with vigilance for the common good to exercise any form of control. A new tyranny is thus born, invisible and often virtual, which unilaterally and relentlessly imposes its own laws and rules." *Evangelii Gaudium* (The Joy of the Gospel) pg 56.

The banking crisis of 2008 has not been resolved but has actually become much worse. The financial speculation that Pope Francis speaks of has increased every year. According to the Reserve Bank annual accounts,

Australian banks are now collectively exposed to more than \$24 Trillion in derivatives.

The ABC's financial commentator Alan Kohler says that financial bets belong under the Gambling Act. "I no longer think derivatives should just be banned. I now think they should be treated as gambling and then banned." 26<sup>th</sup> September 2012.

Or perhaps a 10 % GST should be imposed on all derivative trades. If all Australians have to pay a 10 % GST on essential services then it is only fair that a 10 % GST be payed on every derivative trade!

This revenue should then be directed into the physical economy to restore manufacturing to its previous level of approximately 35 %. The manufacturing industry should be as broad as possible so that the majority of goods that are used in Australia are made in Australia. And every Government department, State and Federal should have a Buy Australian Policy.

In order to address the problem of Too Big To Fail Banks, it is important to have a moral foundation that will protect the common good and future generations.

It is important to have financial policies that have proven to be successful. Glass Steagall Banking Separation has proven to be successful. That is why leading bankers, politicians and economists in the United States and in Europe are calling for it. And to be clear, that means full Glass Steagall Banking Separation.

And that means No to watered down versions such as Ring Fencing or the Dodd-Frank Bill in the United States.

It is also important to create a new Government controlled Commonwealth bank to function as the original Commonwealth bank was intended. There especially needs to be a Commonwealth Development bank that can provide credit and security to Australian farmers. Many Australian farmers are subjected to the vagaries of a harsh climate. They should not be subjected to the vagaries of the private banks and the financial markets. How many Australian farmers have either suicided or had their lives ruined because of financial problems?

It is also important to avoid financial policies that have proven to be disastrous. Bail-In has proven to be disastrous. The Bail-In strategy in Cyprus is a proven disaster. Therefore, No to Bail-In!

Privatisation is a proven disaster. Australians now pay almost the highest prices for electricity in the world. Therefore, No to Privatisation!

Austerity policies have also proven to be disastrous. Greece, Spain, Portugal and Ireland prove this and yet the 2014 Hockey budget has gone down the same path. Therefore, No to Austerity policies!

To withhold proven financial solutions from an ailing economy is analogous to withholding life-saving medicine from a dying child. I urge you to do whatever is necessary to enable full Glass Steagall Banking Separation legislation and to restore the original function and purpose of the Commonwealth Bank.

Sincerely,

Michael Seymour

P.S. Please protect my address and for privacy reasons.

