

Submission to Financial System Inquiry Addressing "Stability - Too Big To Fail"

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I must congratulate the current Liberal government on its recent budget. It's the best picnic you could possibly have in a toxic waste dump. If it were the ALP, being generous with the meat, they'd probably light a barbie which would blow us all to smithereens. But why was a toxic waste dump chosen as the venue in the first place? I hope the outcome of this Inquiry will be to change the venue to somewhere lush and healthy.

The interim report asks for input on applying the idea of "ring fencing" in Australia. I note that the report defines "ring fencing" so as to include Glass Steagall as one of several types. It is the kind with the highest fence, being "entirely separate institutions". Although some of my fellow CEC (Citizens Electoral Council) supporters may have missed reading that - saying unequivocally "NO" to ring fencing - what they actually meant is unequivocally "YES" to the particular style of ring fencing known as "Glass Steagall", and unequivocally "NO" to all other types of ring fencing, which they regard as "watered down" versions of Glass Steagall. So this is our collective answer to the question "How 'high' should any ring-fence be?" We must have nothing less than a full Glass Steagall style separation.

I personally would like to emphasise the following extract from a CEC media release, and Glass Steagall Now booklet:

In the House of Lords debate 26-27 November 2013, Labour Party peer Lord Barnett warned, "We are told by others that the professionals do not think that the new [Vickers' ring-fencing] system will work. We have heard that a firm of private consultants called Kinetic Partners surveyed 300 people [financial professionals], of whom 35 thought that it would work; the rest did not, and they are the people who know what it is all about. The noble Lord, Lord Forsyth of Drumlean, who spent seven or nine years as an investment banker, told us that 'bankers are extremely adept at getting between the wallpaper and the wall. If they can find a way to get around something, they will.' We have seen that succeed. The financial crisis has been too big for us now to experiment. Now is the time for action, otherwise the lobbyists will have won yet again... However, if we managed to introduce a UK form of Glass-Steagall, strengthened to prevent lobbyists succeeding, we will have achieved something that has never been achieved before. We cannot wait for another big financial crisis. We must do it now..."

I repeat the quote: "bankers are extremely adept at getting between the wallpaper and the wall. If they can find a way to get around something they will." Anything less than full Glass Steagall would be an invitation for the bankers to loot whatever they want. I don't trust the bankers. The Pope does not trust the bankers. The Murray Darling Basin does not trust the bankers. It's time to tell the bankers that the Age of Entitlement is over!

The interim report asks if there is a case for introducing ring-fencing in Australia now, or likely to be in the future. It argues that other jurisdictions have much more need for it than Australia does. If that is the case, and given that what happens globally can impact Australia, I think it would be useful for Australia to set a positive example for the rest of the world by introducing the strongest form of ring fencing, Glass Steagall.

The interim report further notes that "Australia had a type of de facto ring-fencing before the 1990s, when the major banks each had separate trading bank and savings bank arms, but Government policy during deregulation removed that distinction." Why was financial deregulation allowed to happen? It is time for the major parties to choose a side - Team Bankers, or Team Australia? If the latter, then the only talk of "bail in" should be to bail the crooked bankers into jail.

The interim report asks what types of creditors, without causing systemic disruption, are most likely to be able to bear losses imposed on particular classes of creditors. I hear that bankers, the social climbers they are, often flatter each other with credit for this and that. It's pretty obvious that they should be the creditors to bear the losses, by a Glass Steagall separation so their exotic financial instruments that have been causing all the systemic and assorted problems can be strung out and left to die.

The interim report asks what elements should be protected and from what risks, if any degree of ring-fencing is pursued. Regardless of the technical financial details, which I know nothing about, it is clear to all living, breathing, eating citizens that the elements needing protection are those relating to productive enterprise, i.e. the real tangible physical economy. As per the CEC's long standing policy, Glass Steagall should be supplemented with national banking firstly for infrastructure and secondly to ensure that agriculture and industry are being looked after with the loans they need.

Are there ways to achieve the same benefits as ring-fencing without the costs of structural separation? Did the deregulators stop to consider the costs of removing Australia's de facto separation in the first place? Did the legislators stop to consider the costs of removing the actual structural separation in the US? If you have an accident or make a mistake, you have to own up and fix it, and of course that costs something!

Such is life.