

Financial System Inquiry
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As a retired professional electrical engineer with major experience in electrical power generation, distribution and use I think I have some worthwhile observations to make about the David Murray's Financial Systems Enquiry.

In his speech David Murray says "In the 16 years since the Wallis inquiry, the economy has performed well-this period being part of 21 years of uninterrupted growth." Why then does the new Liberal/National Government find the coffers of the nation so empty?

I strongly query that statement. So many industries have been unwisely shut down on a purely monetary basis and those that survive are manufacturing their goods overseas where cheap, should I say slave, conditions of employment exist. The only growth industries are in mineral and gas based on Australia's vast reserves of ore, coal and gas. We are borrowing heavily overseas to do this.

The other notable growth is from so called profits from gambling on derivatives on a large scale by the banks using the funds of their depositors and investors. I understand that the banks show more "profit" from this sort of activity than from genuine business and housing loans. The gain in the money amount is negated by the rapid inflation and decrease in value of the dollar. This is somewhat hidden in the inflation of the value of house and land. Our house that in the year 2000 was worth \$125,000 is now valued for rating purposes by our council as about \$500,000. This is a real inflation rate of 400% in 14 years, or a yearly rate of more than 10%. In the first few years it was 25%.

It is also true that the policies of the State Governments in not facing up to the problem of the need for new towns and new areas for low cost land for building has resulted in a land shortage. Naturally goods in short supply result in high prices. Meantime overlarge cities expand and residents spend many hours a day commuting.

What is required for stability of growth of the economy are proper development plans. A properly functioning banking system is needed and not one where the profit is in speculation. A Tobin tax could easily sort that out.

Our banks need radical restructuring, not in the manner suggested by the Bank of International Settlements but split into Commercial banks prohibited from speculation with the funds of their depositors and investors and with completely separate boards and managers. These banks should be operated under strict control of an independent body such as ASIC.

Banks that wish to gain their living by speculation and general trading, limited still from growing too big, should be allowed to fail if they get caught in risky trading.

The BIS proposals for bail-in money being taken from depositors and investors as in Cyprus would take from the small accounts of my wife and I who wish to be able to pay for a move into a care establishment when we are unable to care for each other adequately. What a cop-out for a government unwilling to face up to the power of the banks.

In my life I have protested about the take over of private power systems because it did not suit the private companies to invest in distribution networks to spread the availability of electric power to the majority of the population. I was wrong to object because the result was an Australia with the cheapest power in the world helping us export successfully despite the penalties of distance.

Since the privatization of our power and distribution systems I have experienced a rapid increase in the cost of power until we now pay more for power than almost every other country in the world.

The lesson is clear, private companies by their very structure, the compelling of managers to deliver the maximum profit to their shareholders cannot but become corrupt. There is no doubt that major services must be controlled by the state and run by professional salaried managers to provide the most economical product without worrying about profit. This includes banking.

The Commonwealth Bank recently admitted that they cannot be trusted to serve the interests of their depositors and investors. How could they as they now have prime duty to their shareholders. We need to return to the original purpose of that bank with an adequately salaried manager serving the state, providing the money for essential infrastructure and its maintenance. If the banks are secure the state can then guarantee the investments of citizens who could then invest for their superannuation with confidence and reduce the need to borrow externally.

If the restructuring of the banks is not carried out the use of "bail-in" in any of its forms will only lead to another failure of the banking system. It is happening again because the hard decision was not made in 2008.

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