Submissions to the Financial System Inquiry on Stability - Addressing too-big-to-fail and fractional reserve banking and control of the money supply

Any plan to have depositors (families, retirees, small businesses, etc.) bail out "too big to fail" Australian banks, especially if their enormous derivatives positions were to go against them, can only be described as theft on a massive scale. Ordinary people and businesses should not be called to bail out banks because of their speculative derivative activities. Clearly this is grossly unfair if senior management and shareholders of the banks get all the upside of the speculative activities of the banks while ordinary depositors get all the downside. A much fairer and more logical solution to this is to separate out the speculative activities of the banks from the core activities through something similar to the Glass-Steagall legislation, which operated successfully in the United States from 1933 to 1999. A further measure that should be available if a bank gets into trouble even within its core business is for the Australian government to issue money from treasury to restore the capital of the banks. There is no reason why any government should have to borrow money externally when they should actually be the sole creators of money and controllers of the money supply rather the private banks through fractional reserve banking. If a full reserve banking system were in place with the government the sole issuer of money and controller of the money supply, there would virtually be no possibility of bank failure. In conclusion there are clearly much better and much more just solutions available to legislators than depositor bail out of failed banks, which should not even be considered as a possibility.