

24/08/2014

Financial System Inquiry
GPO Box 89
Sydney NSW 2001

Dear Financial System Inquiry,

The Government created the banking problem, the Government can fix it

I am moved to write about the “too big to fail” banks.

I first started paying into a saving bank in primary school, about 50 year ago. Back then banks were trusted and regarded as a responsible and essential part of society.

Then came de-regulation.

Now we have banks that use the money of the depositors, the ordinary people, to essentially gamble on complicated financial products which no-one seems to really understand – witness the recent GFC.

Now I gather that “bail in” legislation is proposed where the funds of the depositors, the ordinary people, would be used to bail out incompetent (at best) bankers who will not be held accountable for their pursuit of greed. This “bail in” also means that the politicians, the ones who took away prudent financial controls set in place because of hard learned lessons, will also not be held accountable for their negligent and incompetent actions.

Rather than “bail-in” legislation we need urgent reform of the legislation to re-organise banking so that the commercial bankers (gamblers) can’t jeopardise the funds of everyday depositors.

What has worked in the past is a system similar to the Glass-Steagall Act in the USA which separated commercial and investment banking:

1. Commercial banks for ordinary savings and real asset production,
2. Investment banks with no “Too Big to Fail” security, for the sophisticated financial investors and speculators,
3. These banks to have no cross ownership or cross business or joint ventures.

To my mind “bail in” legislation would mean that the country is run by and for big business, not by and for the people.