

# Submissions to the Financial System Inquiry

From Adrian Dignam, 10 Sunnyridge Road Arcadia NSW 2159

For a start, I dispute the terminology 'too big to fail' because it is based on a false premise and a very simplistic and delimited economic model. It is fundamental to the function of risk-taking organisations that they be allowed to fail, because otherwise the efficiency of the whole resource-rationing process is compromised. If miscreant organisations are not allowed to fail, then subsequently something else, something more foundational, must and will fail. It is inequitable that individuals are becoming increasingly and ignorantly vulnerable to the potential (indeed, probable) loss of their savings in a context where the elected government and its advisers are being deceptive or vague or evasive about the specific implications of what is proposed; about the real security of savings; about the true capacity of guarantee mechanisms to address reasonable scenarios; and about the ramifications of the skyrocketing development of derivative instruments which are disconnected from the real physical economy and which even sophisticated finance people struggle to understand. I wrote to my local MHR last year precisely because I had been alerted that bail-in was being countenanced for Australia. The written response indicated that my concern had been raised with the Treasurer, and carried a denial of any knowledge. The recent FSI report concedes in obfuscating language that bail-in is indeed being countenanced, but I have heard nothing from my MHR meanwhile. To what have we come when we must rely on alternative and peripheral information sources to inform us in plain language as to the probability and impact of these significant developments – not to *confirm* what the government of the day is saying, but to *correct* what is being dished up for public consumption? I see this whole process as a sham, and a primary breach of fiduciary obligations to its citizens by our elected government; and I ask how anyone who understands corporate governance can describe the appointed Chairman as being in anything other than a blatant conflict of interest.