

Too big too fail = too big

A healthy banking sector needs to promote the security of investors deposits while performing the essential bank functions of lending to small/medium business, the farm sector, manufacturing and nationally important infrastructure

The banking sector now fulfils none of these functions as profits are made through speculation (aka gambling) in derivatives, high frequency trading and other nefarious means; all with a government backed parachute.

Historically this can development can be traced to the 1980's if not before when the original function of banks -to support the real economy- became completely subordinate to the drive to provide profits to shareholders. I suggest it was extremely short-sighted and ill conceived to have allowed this to happen as now the growth of 'financial wealth'- by this i intend to mean the financial aggregates associated with all forms of speculation/trading not associated with productive industries- now dwarfs the output of the real economy.

I submit that this is an inherently unstable and dangerous development with no soft landing.

The solution, present in history, is for an utterly complete separating of retail and commercial banks.

With this separation, the deposits and functions of a retail/commercial bank are protected and guaranteed by government. Investment banks are free to do what they like; they are also free to fail. As good laissez-fairists one and all, this should present no problem these erstwhile institutions who must otherwise be feeling a sense of shame at having to run to the government for protection every time they encounter an economic crisis of their own making.

Furthermore I fail to see why the shining example of the 1st and 2nd Banks of the United States, Lincoln's use of the Green-back, FDR's use of the RFC and our own Commonwealth Bank of Australia (as it was originally intended to function) should not be followed and provision made for the establishment of such an agency