

21<sup>st</sup> August 2014

*"I believe that banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around [the banks] will deprive the people of all property until their children wake-up homeless on the continent their fathers conquered. The issuing power should be taken from the banks and restored to the people, to whom it properly belongs."*

- Thomas Jefferson (1743 - 1826)

A financial system that destroys people to survive has no legitimacy, and must be scrapped. The interim report of David Murray's Financial System Inquiry, released 15 July, pushes the case for supposedly solving the problem of too-big-to-fail (TBTF) by implementing "bail-in"—the system which includes confiscating customer deposits to prop up failing banks, as was imposed recently in Cyprus, Greece.

The report perpetuates the fraud that bail-in is a solution to TBTF banks, even though bail-in does nothing to reduce the size of the banks such that if they fail they won't damage the rest of the economy!

This interim report mentions bail-in four times, as a possible solution to TBTF.

There is only one genuine solution to TBTF banks, which protects both the economy and bank deposits: a full, Glass-Steagall separation of investment banking from commercial banking, as mandated in America's 1933 Glass-Steagall Act. Under Glass-Steagall, the Big Four banks and Macquarie would be split up into completely separate new institutions: commercial banks that hold deposits and perform the safe banking functions that service the community; and investment banks that engage in risky financial speculation.

The two types of banking would have no contact whatsoever: no cross-ownership, no shared directors, no joint ventures. The commercial banks will be safe, and the investment banks will know that if their financial gambling goes bad, they are on their own, and will not be bailed out.

While the interim report did in fact note that Glass-Steagall is an option, it then went on to argue that a separation would be "expensive".

A Glass-Steagall separation would indeed be expensive—to the financial gamblers who are currently able to gamble with depositors' funds, not to the depositors.

The purpose of an economy is to serve the common good of all of the citizens taking part in it. That common good is a moral imperative, which ranks above the supposed rights of a "free market" to rule at the expense of the increasing impoverishment and unemployment of an ever-growing number of Australians.

What is the purpose of a "financial system", if not to serve that common good?

Therefore, I as an Australian citizen demand the following:

- 1) That there be no bail-in of depositors in order to "save the banks".
- 2) That Australia must separate legitimate commercial banking functions from the speculative activities of "investment banks", as did the Glass-Steagall law in the United States so successfully from 1933 until its repeal in 1999. Such commercial banks serving the interests of the average Australian should be backed by the government, but the speculative banks should be left on their own to sink or swim.
- 3) That to anchor such a system of private commercial banks, Australia must also establish a national bank typified by our old Commonwealth Bank, where our government directs credit into the real physical economy of agriculture, manufacturing, and infrastructure projects which provide for the common good, including employment opportunities for all.

These universal principles which emphasise the dignity, worth, and physical well-being of every single human being must be the basis upon which any financial system must be constructed.

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