**Letter in Response to Proposed Bill to limit Bank Transactions to $10000 Cash**

**Answer = No, it’s unethical & doesn’t solve the real problem.**

The banking commission has revealed the very corrupt practices of the banks in every sector, which the regulators Apra and Asic have been **1. complicit in cover up** and/or **2. negligent**, as have the Reserve Bank and government (ie. minister for finance & treasurer). Due to the widespread and quantity of fraud encountered, all with responsibility of legal compliance of the banking industry must fall into one of those two categories.

Now the biggest problem with the fraud in the banking industry, in terms of bank stability, (apart from unethical derivatives gambling), is mortgage fraud. Banks have been acting as a cartel (as the commission showed), and each has been focusing most of the lending into the housing market. This is a problem for both the housing market and the banks. By such fraudulent practices outlined, the lending ability of buyers has been greatly enhanced beyond any lawful amount, thereby inflating the market (ie. the housing bubble). The commission and pressure on the regulators to do their job, implies due to reduced consumer confidence and improved lending standards, that less buying ability of buyers will cause the housing bubble to deflate, the start of which is already evident. Also, the banking deregulation over the years has allowed the banks to increase leverage its loan to capital requirements to quite unstable levels (eg. 33:1).

The governments and RBA response to this has been to decrease interest rates to record lows, to try to stop the decline of housing prices. Why? they know the banks are under pressure, and any major decrease could cause bailin and possibly insolvency. This is also evident in the **foreign debt** **the banks have**, which amount to **some $2.2 trillion = 1.2 funding costs + 1 mortgages. The first figure is alarming, the banks needed $1.2 trillion in international bank loans to keep operating at normal business levels over the last 10-15 years, and now they also need to service that debt as well.**

The government has suggested to reduce the cash transaction threshold to S10000 to reduce money laundering, however money laundering has been an aspect of the banks as they all know for a long time, because it helps the bank economy. At this particular time, it is evident that the real reason in light of the perceived trouble the banks are in, as evident from the reactions of the government and RBA, that they want to stop any run on the banks. This measure, like the interest rate reduction, will have only a small effect and will not save the banks from bailin or insolvency. The numbers show the problem to be much bigger than that, apart from the fact that such a measure is unethical in nature.

**I would therefore suggest that the $10000 cash limit on the banks be discarded, and that a real solution for the problem be implemented.**

That solution is **Glass Steagall banking separation**, which would secure the commercial side of the banks, and thereby that function that the economy depends so heavily upon, saving the economy and all savings. Glass Steagall would separate the commercial side of the bank from the speculative side (mortgage backed securities & derivatives). Then speculative banks can be allowed to fail without consequence for the economy and deposits.

The **foreign debt** is an additional problem, in that the government would probably have to secure that to avoid international contagion. The problem with that is that the numbers are too big to allow for that to be done using the printing of money. Just a small fraction of the $2.2 trillion would **inflate the currency significantly**, possibly causing a hyperinflation destruction of the currency, but certainly causing a multiple operator on the cost on any imports. Australia’s problem is that **we import most of our** **oil, which affects the price of everything** (agriculture & transport). If that was to go up by a multiple it would have a catastrophic effect on the economy.

Other countries such as Russia and China seeing the banking problems in the west, have wisely **secured their economies by stockpiling gold**. Now Australia has 69 tons of gold stored in the Bank of England in London, which is a small amount really, and not secure. When an inspection of this gold was to occur some 5 years ago, the bank required several months notice, and even then, not all the gold could be seen, and none could be taken.

Now given that Australia is one of the richest resource countries of the world, this is an insane arrangement (ie. those who set it up were acting against the interest of the country). **Australia produces about 300 tons of gold annually.** **The solution now, would be a** **mining tax on all mining profits** (maybe 30%), where gold mining companies pay their tax in gold bullion. Now because the time before this crisis is now quite short, this tax should be applied ASAP, and should be backdated several years to accumulate it quickly, and also to make up for our country’s lax taxation of resources.

**Answer = No $10000 cash limit on banking transactions + Glass Steagall Banking separation + a mining tax on all resource profits.**

Sincerely,

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