

Citizens Electoral Council of Australia

Postal Address: PO Box 376, Coburg Vic 3058

Phone: 1800 636 432 Fax: 03 9354 0166

Home Page: www.cecaust.com.au Email: cec@cecaust.com.au



Authorised by R. Barwick, 595 Sydney Road, Coburg, Victoria 3058. Printed by Citizens Media Group Pty Ltd., 595 Sydney Road, Coburg, Victoria 3058.

Independent Political Party

16th of October 2012

Savings guarantee 'worthless' in a collapsing economy

The guarantee on deposits up to \$250,000 in Australian banks is a false promise that the government can never keep.

The Reserve Bank (RBA), Treasury and Australian Prudential Regulation Authority (APRA) are lobbying the government to charge a fee in exchange for the guarantee, but they are ignoring the elephant in the room:

Where will the government get the money to honour its guarantee of more than \$600 billion in bank deposits?

The federal deposit guarantee was announced four years ago, October 2008, following a weekend of blind panic in the Australian banking system.

The very banks which the government repeatedly assured the public were "sound", were on their knees begging Kevin Rudd's government to guarantee their liabilities.*

Rudd guaranteed their deposits, as well as new foreign borrowings (so the banks could use the government's AAA-credit rating to borrow offshore and roll over the enormous short-term foreign debts—\$440 billion on 90 day terms—that threatened to bankrupt them)¹⁾.

In guaranteeing \$600 billion plus in deposits, the government assumed it would never need to honour its guarantee. What if it did?

The Australian banking system is extremely vulnerable, because it is concentrated on overvalued mortgages. More than half of the business of the Big Four banks is mortgages—a collapse of property values to normal levels would wipe the banks out.

The only way the government could source enough funds to rescue deposits in a general banking crash would be to borrow \$600 billion, which would be impossible considering that the crisis is global.

However, assuming the government *could* borrow the \$600 billion, the new borrowings would be loaded on top of the existing \$250 billion Commonwealth debt, and push the government into a Greek-style financial crisis.

Citizens Electoral Council leader Craig Isherwood said, "The deposit guarantee is worthless, because the underlying economy is bankrupt. Australia now imports most of the goods we used to make for ourselves, but borrows to pay for them. Debt has built up to crushing levels.

"Instead of banks drawing their earnings from a productive economy, they milk the households and businesses that are stretched to the limit to service the debts they have accrued to meet the rising cost of living. More and more of those households and businesses are breaking under the strain, which spells doom for the banks too."

Isherwood said the solution was contained in the CEC's national resolution, "The Future of Australia: Develop or Die".

"We must reorganise the economy so it is productive again, and reorganise the banking system so that it serves the real economy," he explained. "That means dumping every globalisation policy from Keating on that has destroyed our manufacturing and agricultural base, and enacting two key banking reforms:

"1. Glass-Steagall-style bank regulation to separate and

protect the banks which hold deposits and service the real economy, from the investment banking gamblers, so that deposit banks are not exposed to the reckless investments that put their deposits at risk;

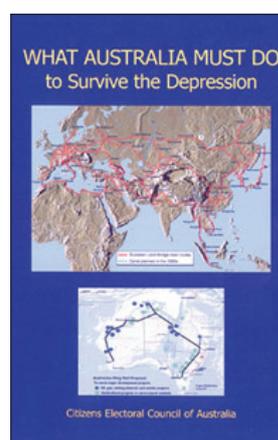
"2. A new national bank, like King O'Malley intended the original Commonwealth Bank to be, which directs public credit into infrastructure projects and productive industries, so the underlying economy is productive, and the banking system that services the economy is genuinely strong."

Isherwood urged Australians to support the national resolution campaign, and challenge their elected officials to support it too.

*Ross Garnaut and David Llewellyn-Smith recount in their book, "The Great Crash of 2008", that the heads of the banks met Rudd, Swan, Gillard and Tanner, panicked that foreign lenders were refusing to roll over their loans to the Australian banks: "The banks told (Rudd) that, if the Government did not guarantee their foreign debts, they would not be able to roll over the debt as it became due. Some was due immediately, so they would have to begin withdrawing credit from Australian borrowers. *They would be insolvent sooner rather than later...*" [Emphasis added] Macquarie Bank²⁾'s management was especially hysterical, frantically telephoning and emailing every political contact they had in Canberra, to beg for a guarantee of their foreign borrowings. As reported in Lenore Taylor and David Uren's book on the GFC, "Shitstorm—Inside Labor's darkest days", Melbourne Business School professor Ian Harper, one of the members of the 1997 Wallis Inquiry into the Australian financial system, urged his wife to withdraw all she could from the ATM that weekend, because he wasn't certain the banks would open their doors on the Monday, October 13th.

Please go online for more info:

- 1) http://cecaust.com.au/main.asp?sub=releases&id=2010_02_12_Barnaby.html
- 2) http://cecaust.com.au/main.asp?sub=releases&id=2010_07_05_



WHAT AUSTRALIA MUST DO to Survive the Depression

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RESOLUTION

The Future of Australia: Develop or Die

Whereas:

The presently ruling policies of globalisation, privatisation, deregulation and free trade, together with the enforcement of “environmentalist” policies so radical that they are best described as “green fascism”, are plunging the vast majority of Australians—along with most of the rest of the world—into poverty and misery; destroying our once-great nation; and eliminating any meaningful future for our children,

Be it therefore resolved:

- 1) That the entire body of “globalist” economic reforms introduced by the Hawke-Keating régimes beginning 1983 and relentlessly extended since then, be scrapped, together with all the equally-murderous, radical environmentalist legislation enacted since that time;
- 2) That this nation return to the traditional protectionist, well-regulated form of agro-industrial economy under which we once flourished, typified by the agreement in outlook between “old Labor” as exemplified by ALP prime ministers John Curtin and Ben Chifley, on the one hand, and Country Party leader and longtime Trade and Industries Minister John “Black Jack” McEwen, on the other;
- 3) That we must re-regulate our national financial system upon two essential pillars:
 - a) the immediate separation of sound commercial banking which benefits the average Australian, from the speculative merchant banking activities which have grown like a cancer under financial deregulation, both in this country and worldwide and which have largely caused the present, ever-deepening global financial crisis; the well-known precedent for such a separation is the 1933 U.S. Glass-Steagall Act, which President Franklin Delano Roosevelt used to bring his nation and the world out of the Great Depression, and whose adoption is presently being debated in numerous countries around the world;
 - b) the immediate re-establishment of a new, government-owned national bank to provide credit for urgently needed great infrastructure projects as the engine to drive a great new renaissance in our agro-industrial, *physical* economy; we must have a sovereign Australian national *credit system*, not a London/Wall Street-controlled *monetarist system*, to enable us to secure the well-being of *all* Australians instead of just the privileged few, as under the present, monetarist system.
- 4) That we, the undersigned, will exert our utmost efforts to bring these reforms into reality, NOW!

Name	Position / Organisation	Postcode	Phone
1.			
2.			
3.			
4.			
5.			

Please send signed resolution to: CEC Australia, PO Box 376, Coburg, Victoria 3058