

# Citizens Electoral Council of Australia

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Independent Political Party

2<sup>nd</sup> of April 2014

## CEC submission to Financial System Inquiry: Looming property crash will smash the banks— only solution is Glass-Steagall

Citizens Electoral Council leader Craig Isherwood yesterday lodged a formal submission to Joe Hockey's Financial System Inquiry, which opened with the following statement:

"The Inquiry you are charged to conduct will be incomplete, unless it includes the threat currently facing the Australian people of a total collapse of the financial system, as a consequence of the reckless speculation by Australia's banks in financial derivatives that are based on Australia's property bubble.

"Furthermore, your Inquiry should investigate the solution that the CEC supports, and which has broad support around the world: that of a complete separation of all retail banking from all investment and related banking, as mandated in the successful United States law which lasted from 1933-1999, the *Glass-Steagall Act*."

Please go online to read the full 3-page submission (PDF):

[http://cecaust.com.au/pubs/pdfs/CEC\\_Australia\\_Submission\\_to\\_FSI.pdf](http://cecaust.com.au/pubs/pdfs/CEC_Australia_Submission_to_FSI.pdf)

The CEC's submission details the systemic risks confronting the Australian financial system, and explains why a full Glass-Steagall banking separation is the only solution.

It was submitted with four supporting documents:

- *Memo: The Great Australian Mortgage Bubble*, which proves that Australia has the most highly concentrated financial system in the world, in just four "too-big-to-fail" banks, which are all so heavily

### Treasury seeks legal advice for bail-in

2010-2011. As the government department responsible for drafting bail-in legislation, the Treasury contracted the Government Solicitor for legal advice.



exposed to the property bubble that a collapse in prices caused by rising interest rates and/or unemployment would wipe them out.

- *How safe is your super?* The CEC's response to State Super Financial Services Australia's 27 August 2013 "Investment Viewpoint".
- *Glass-Steagall Now!*, a comprehensive explanation of Glass-Steagall, why it is necessary for Australia, its global support, and the U.S. legislation to restore it in that country.
- *Commonwealth National Credit Bank Bill*, the CEC's draft legislation for a new National Bank, owned and controlled by the elected government, which can harness and direct the credit of the nation into developing the infrastructure Australia needs for a prosperous future.

## Buy the full CEC submission, including all four supporting documents, for \$30.

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It was submitted with four supporting documents:

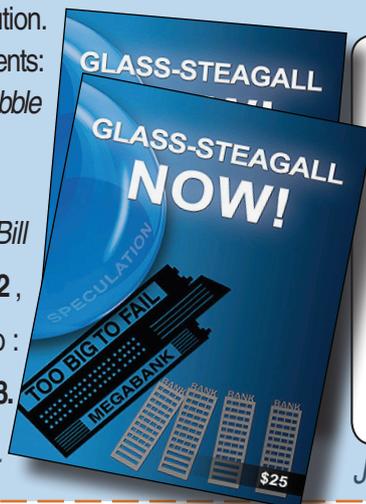
- *Memo: The Great Australian Mortgage Bubble*
- *How safe is your super?*
- *Glass-Steagall Now!*
- *Commonwealth National Credit Bank Bill*

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28<sup>th</sup> of March 2014

## We don't need to sell off Australia to fund infrastructure, we need a national bank

Treasurer Joe Hockey is meeting with state treasurers today, to convince them that privatising their public assets is the only way to fund new infrastructure.

This is a lie.

The only guaranteed beneficiaries of privatisation are the parasitical investment banks who earn huge fees for brokering the sales—investment banks which are well represented in Hockey's office.

(It's no coincidence that many politicians who have championed privatisations in Australia have gone on to work for such investment banks: Paul Keating went on to chair former CS First Boston privatisation wizard John Wylie's boutique investment bank Lazard Carnegie Wylie; Victorian Treasurer Alan Stockdale and NSW Premier Bob Carr both went to work for Macquarie Bank, etc.)

The public always lose, because privatisation lumps the public with extra costs, as the new private owners increase their charges in order to service any debt incurred to buy the asset, and make a fat profit.

### The national bank solution

With a national bank, the government can use public credit to build the infrastructure Australia needs.

Australia had a national bank in the original Commonwealth Bank, until Menzies gutted it in 1959.

The Commonwealth Bank functioned at its peak during the war years 1942-1945, when it directly issued the credit to finance the massive increase in government expenditure required to fight the war.

Since the 2008 GFC the world's major central banks—the U.S. Fed, the Bank of England, and the Bank of Japan—have created trillions of dollars, pounds and yen out of thin air and pumped them into the bankrupt banking system to keep it afloat. This money creation, called quantitative easing (QE), has fattened

the recipient banks, but it hasn't led to an economic recovery, because they haven't on-lent it into the real economy. (In fact, bank lending has decreased—please go online for a pdf article exposing QE, "Worse than Weimar" [http://www.larouchepub.com/eiw/public/2013/eirv40n46-20131122/04-10\\_4046.pdf](http://www.larouchepub.com/eiw/public/2013/eirv40n46-20131122/04-10_4046.pdf).)

If the central banks had instead issued this money to their governments to build and repair infrastructure, it would have created millions of jobs and significantly boosted productivity.

Unlike central banks, which are controlled by the private banking system, a true national bank is government-owned-and-controlled, and therefore can use this same power to create credit, but to benefit the people of the nation.

The control on this power is that it can only be used to finance investments that measurably increase national productivity, which is the development of physical infrastructure, and capital improvements to productive industries (i.e. low interest loans to farmers and manufacturers for new plant and equipment).

If Abbott and Hockey were genuine about infrastructure, and not just creating opportunities for private banks to profit, they would establish for Australia, once again, a national bank.

The CEC is pushing to introduce legislation into Parliament to establish a new national bank, to be called the Commonwealth National Credit Bank, which will issue credit for grand water, power and transportation infrastructure projects that will once again make Australia an agro-industrial powerhouse. The CEC's infrastructure vision is contained in its *New Citizen* Special Report called *The Infrastructure Road to Recovery*.

If you are prepared to fight to stop Hockey's mass-privatisation agenda, and bring back national banking in Australia, join the CEC.

### ORDER FREE NC

For a free copy of the CEC's special issue of the *New Citizen*, which is an expanded form of our February 2002 Special Report, *The Infrastructure Road to Recovery: Let's Build Our Way Out of the Depression!* Vol 5 No 6 April, 2006 **Australia's Blueprint for Economic Development**, call toll-free 1800 636 432, or send this coupon to: **CEC, PO Box 376, Coburg, Victoria, 3058** and please leave ALL your details.



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