Citizens Electoral Council of Australia

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Independent Political Party

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An effective budget solution: tax speculation 0.1%

"Unbalanced minds cannot balance budgets!" —Lyndon LaRouche

The solution to the national budget deficit that actually helps people, instead of killing them, is a tax on the damaging financial speculation that drains the wealth out of the real economy.

A 0.1% tax on financial speculation is a tiny little tax, only $1 on every $1,000 of transaction, compared to the "great big" taxes such as, say, the GST ($100 on every $1,000).

BUT… it will raise a massive amount of money: *$135 billion* in one year—enough to cover the $123 billion of deficits that Hockey is projecting over the next four years!

This is because the scale of financial speculation that it will tax is mind-boggling.

Australia's annual gross domestic product is $1.4 trillion; by contrast, the Australian Financial Markets Association (AFMA) annual report reveals that for the year 2012-13 total turnover of all financial markets *was more than $135 trillion!*

Virtually none of this $135 trillion turnover had anything to do with the real economy: government bonds, which the government issues to borrow money, accounted for $1.7 trillion of it; turnover in shares on the stock market was $1.15 trillion; and foreign exchange on the import and export of goods and services was $620 billion.

The balance of over $130 trillion was in all manner of speculation in derivatives—futures, options and swaps—and speculation in foreign exchange (only 1.4% of foreign exchange trade relates to import/export).

Win-Win

The 0.1 per cent speculation tax is a win-win: not only will it raise more than enough tax revenue, it will kill the speculation it is taxing.

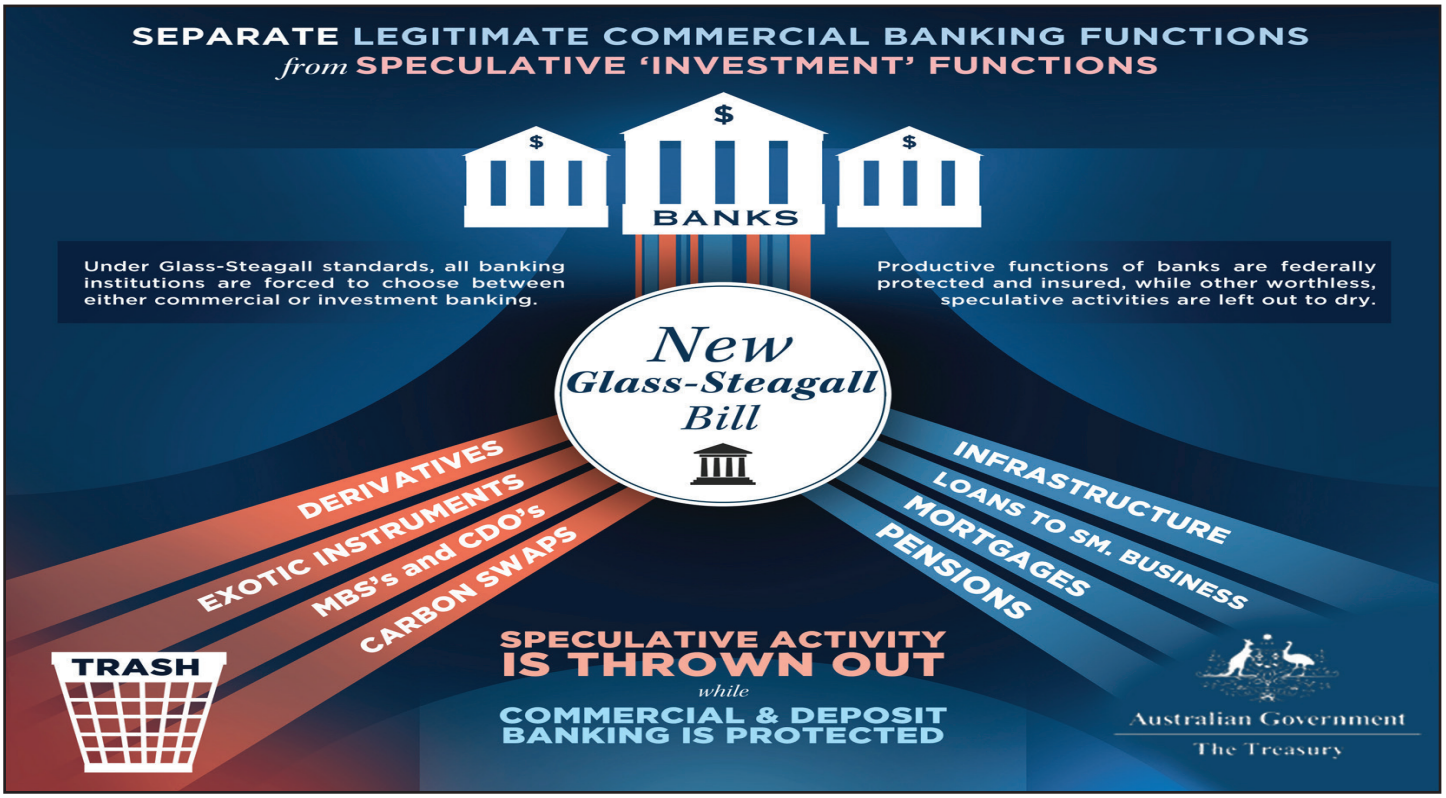
A tax of $1 on every $1000 will not be a burden on genuine investors in stocks and bonds and genuine foreign exchange transactions.

It will, however, destroy the "business model" of the financial speculators, who rapidly buy and sell and buy and sell on massive volumes in order to skim profits from driving down prices for producers and driving up costs to consumers. It will end this unproductive, predatory and parasitical paper-shuffling that is draining the life out of the real economy.

Consequently, it will be a short-term source of tax revenue, but the real economy—farming and manufacturing production, skilled trades, etc.—will, freed from this burden, be able to prosper, which will expand the normal tax base.

That this 0.1% speculation tax will solve the current budget deficit is a bonus; its *intention* is to protect the real economy from financial predators, like the CEC's other policies of a Glass-Steagall separation of retail from investment banks, and national banking.

To fight for these solutions, join the CEC.



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1st of May 2014

To save property bubble, desperado banks return to scene of low-doc crime

Australia's banks got away with criminal fraud on a massive scale when the financial regulators ignored their role in the "low-doc" loans scam that ruined thousands of borrowers when the GFC erupted in 2008.

So, desperate to avert a collapse of Australia's property bubble, the banks are again going low-doc—in a big way.

The banks are desperate because the bubble is completely stretched, with house prices at the extreme limit of affordability, despite record low interest rates. They know it is only a matter of time before rising unemployment, or the fall-out from China's banking problems, forces a massive sell-off in Australian housing that will collapse prices, burst the bubble—*and wipe them out!*

The problem with a bubble is it has to always keep growing, or it will burst; therefore, to keep the bubble growing in today's economy, the banks are resorting to making home loans to people who can't afford them.

The banks and mortgage brokers—that in one way or another are all fronts for banks—are writing more and more loans that are 95 per cent or even 100 per cent or more of the property's value.

It is now a matter of record that in the past, the way banks justified these loans was through fraud.

Denise Brailey of the Banking & Finance Consumers Support Association testified before a Senate Committee in 2012 in regard to 1200 cases where brokers and bank loan officers tampered with loan application forms to grossly overstate a borrowers income. This practice was blamed on rogue brokers, but around 30 per cent of the cases Brailey cited were committed by the oh-so-respectable Big Four banks.

The lenders also used fraudulent service calculators that would count the projected capital gains on the property as income; in some cases this would increase the borrowers stated income from $20,000 to $180,000. They also included "buffers" in the loans—a margin above the price of the property—which would be enough to make the first three or so years of mortgage payments, to give the appearance that the loans were being serviced.

The regulator, the Australian Securities and Investments Commission (ASIC), which is run by ex-investment banker Greg Medcraft, a specialist in securitisation which has turned mortgages into the basis for hundreds of trillions of dollars of derivatives bets globally, has refused to look at the fraud exposed by Brailey et al., so the banks have got away with it.

The fraud is known, because it all unravelled when the GFC erupted in 2008. To that point, low-doc and no-doc loans in Australia had grown from being 0.5 per cent of all mortgages in 2000, to almost 10 per cent in 2008. In the immediate wake of the GFC banks temporarily returned to making loans of 80 per cent of the house value.

So now the banks are going low-doc again, what ruses are they using this time to justify the loans? Or, thanks to ASIC, are they recycling the same fraud as before?

The desperation of the banks to again go big on low-doc loans underscores the need for Australia to impose a Glass-Steagall separation of retail banking from investment banking, before the bubble bursts!

To fight for Glass-Steagall and hold those responsible for this fraud to account, join the CEC.

GET A FREE COPY of Glass-Steagall NOW! & memorandum on The Great Australian Mortgage Bubble

For a complimentary copy of the CEC's new pamphlet, ***Glass-Steagall NOW!***, which shows how stopping the global financial meltdown begins with Glass-Steagall, plus the memorandum on "The Great Australian Mortgage Bubble" submitted to the government's Financial System Inquiry **c**all toll-free **1800 636 432**, or send this coupon to: **CEC, PO Box 376, Coburg, Victoria, 3058.**

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