

OUR FINANCIAL SYSTEM: AN ANALOGY

The question of the moment is twofold and really quite simple:

1. Is separating retail banking from investment or merchant banking beneficial to society, and;
 2. Is it moral and right for failing banks to grab depositors' money?
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A simple analogy reveals the principles involved. Mr Walton Sears builds a large department store in Sydney and it becomes a resounding success. Sears died, and in his will he turned over the store to the store staff, with management as trustees. Because the staff were always busy doing what they were paid to do—sell merchandise—they had little time to watch what the board was up to. They trusted the board to do it right by them. That trust was sacred, protected by the rules laid down in Mr Selfridge's will. But behind the backs of the employees, management began weighting things against them in favour of themselves. After all, they were more important than sales clerks, and what they did was far more crucial to the survival of the store, they thought. So it was only right that they should be more richly rewarded. They saw the separation of management and staff into trustees and shareholders as a travesty. Absorbed in such thoughts, they failed to notice that their management methods were driving the store to the wall. Sharp business practices were taking their toll. By sleight-of-hand, they gradually changed the rules so that the staff would be liable for any bad debts incurred by management, while they would be exempt from any responsibility or duty of care to the shareholder employees. The rule change allowed them to confiscate staff bank accounts to cover 'their company's' losses. This could only be done with the assent of the public authority that regulated the retail trade. Fortunately for management, the authority was constituted of people like themselves, who saw ordinary folk as mindless drones unworthy of statutory protection, which is socialism. They weren't in the business of social welfare. The employees lost everything while management laughed all the way to the bank.

That's how our financial system works. Henry Ford said it: "If ordinary people found out how the financial system works, there'd be a revolution first thing tomorrow morning."

Question: If the people don't revolt, out of fear for their mortgage, is it a sign that what management did is morally and socially acceptable?

Answer: Each of us is to *consult his conscience*—not his financial adviser, bank manager or state/federal Member of Parliament.