

## Submission to the Australian Financial System Inquiry 2014

Dear Sirs,

My submission is that of a concerned citizen who has been thinking for a while about the present financial system and what can improve its usefulness to the Australian population as a whole. I ask the panel to consider my submission with the same consideration as the ones received from the vested interests that you will receive. My interest and views are as valid as any other as I am daily affected by the present financial system. My submission will address some terms of reference as outlined on your website; but also some issues that don't fit neatly into any of your categories.

Since the GFC of 2008 we live in a world of financial instability to which the world has not been subjected to previously. We are seeing so much intervention from Central Bankers that it is distorting the proper signals for financial stability the world once had. My marked worry is that the present attempts of stabilizing the status quo is actually contributing to more instability in the worlds financial system. Around the world it has come to light that major financial institutions are behaving in a very selfish and self serving manner. They have lost their trustworthiness. This is well demonstrated with the advantageous fixing of the LIBOR rate. Is it no wonder that those same financial institutions do not trust other financial institutions. I am a doctor who finds it incredulous that the cause of the GFC, which was the availability of easy credit; now becomes the solution to the problem. This to me is analogous to solving an alcohol or a drug addiction by providing more and easier access to the substances that cause the problem. To prevent the hangover that was the GFC; the financial institutions are wanting to keep drunk on easy credit. All the world financial institutions are heading for a major upheaval unless mechanisms that work are imposed on those institutions. The only unifying willingness the financial institutions have shown is to convince the policy makers that they have become "Too Big to Fail". The banks rhetoric does not match reality. The financial institutions have mostly got what they demanded from their sovereign governments; with examples of TARP; Quantitative Easing I, II, III ....; or the Australian Government (Australian Citizens) Guarantees of Loans for the Big 4 Banks. It is obvious to anyone outside the financial system that the financial institutions are there only to help themselves and not to solve the financial crisis they have created. You may disagree with my overview but history will be a harsh judge of our financial institutions and the complacent politicians who allowed them to perpetuate the false belief or rhetoric that we can spent our way out of a financial crisis by creating money on a computer screen at the Federal Reserve. This is known to me as the Zimbabwean Principle.

Your inquiry cannot solve the worlds financial problems that are looming, because the present financial systems are not based on any universal principals that sustain and flourish when put to the test of time. I hope and prey that your inquiry has the foresight and wisdom to realize that the time has come to look beyond the existing status quo in the financial forest and give it a good shake; so that the new financial system that emerges is robust for all the participants, and not just the privileged bankers and their shareholders. I urge you to look back at history to see what has worked for the citizens in any country and not just for the bankers. To quote or maybe misquote Mr Paul Keating's words "what is good for the banks may not be good for the Australian Nation."

The issues that follow are those that seem more do able at present; than a snowball surviving in hell, as they have worked previously in times of crises.

- 1) Legislate to split the existing banks into entirely separate and fully independent entities that exist inside them; and which have completely opposite goals for their existence. I view our present banks as having schizophrenic personalities of a) investment banking part, with its goal of maximizing profits to get the huge bonuses that we hear about in such entities as Macquarie Bank; and b) commercial banking that exists to be a well worn highway for our citizens to do their financial journeys without feeling that they were held up by bushrangers every time they

undertake that journey. This commercial banking part is essential to our community; just like roads; rail, water, and the air we breath; for our society's very existence. We as a society will disintegrate if our commercial banking becomes a gouging service. So I put forward to you to cure the schizophrenia in our present banking system - let the investment banks maximize their profits with derivatives, and other esoteric financial instruments without any support from our citizens of Australia. Let them enjoy the fruits of their endeavour but without any public financial safety nets. While for the Commercial Banks; recognize them as an essential part in our society, and make sure that the citizens money deposited with them has the full protection of the Australian Society (ie Australian Government Guarantee) and that their monies are safe. Have laws in place with strong enforceable criminal safe guards to prevent any gouging in the provision of those essential services to our community. Maybe even give them tax breaks in recognition of their importance to our society.

- 2) Our constitution allows our government (Citizens of Australia) to put simply "print money" for our nation. Why not use that money generating ability for the benefit of the nation and not as it seems to presently exist for the benefit of the banks and their shareholders. My understanding is that banks can lend out more money than they have, so why not reverse the roles and legislate for the banks to borrow any money that they do not have for lending, then they have to borrow from available sources, be they overseas; or from the Australian Government. History shows that the World War II; and the Snowy Mountain scheme were financed by this constitutional ability. What other worthwhile nation building schemes could be developed in the future of our nation if this capacity is used!
- 3) Debunk the perception that some financial institutions are "too big to fail". My understanding is that all companies, banks especially, are there to maximize their profits, develop a perception that they are essential to the community, and that the 'world would collapse' if in some financial crisis they should cease to exist. Great examples are our four Australian "pillar" banks. The suggestion as stated in 1) outlines a solution to this perception problem for our society.
- 4) Legislate so the large international companies such as Apple, Google, BHP, Microsoft have taxable entities that hold their IP rights in the our Australian jurisdiction where the IP is sold. These international companies are there to make profits, to the maximum, for themselves, their executives and maybe their shareholders; while minimizing their tax payments to the nations where they make that profit. So make the laws so that they have entities that contribute back to the community that provides them with the profits they make.
- 5) For a well functioning robust financial system it is prudent to have a philosophy, principals, and objectives that serve our Australian community as a whole; and not some other interests, and not to maintain the existing status quo; which appears to serve the banks, their CEOs and the shareholders. One principal is that of fairness in their service fees (several court cases are ongoing or pending that shows this is not currently happening), true competition where all fees are includes in the cost of borrowings, and true openness where all banking instruments that could affect the well being of an entity are reported in a true light (such as derivatives; which are not reported at present by any banks, in a meaningful way, or at all.) Do not let the banks that operate in our country treat our Australian Citizens as mushrooms.
- 6) The banks have a special position in our society; and with that position they have enormous powers, that are not bestowed to any other members of our society. If they should abuse or transgress those privileges and powers then the natural persons who made those decisions in the financial company concerned should have criminal sanctions aimed at them. My view is responsible personnel in any financial institution should be in a similar head light as registered medical practitioners who abuse or transgress their privileges and powers our society has bestowed on them. If the fine is raised against the company and not the natural person who made

the decision; then that fine or sanction will just become ‘the cost of doing business‘; and they will try harder the next time not to get caught out.

- 7) I shall resist with every fibre of my body this new concept that has recently appeared in the European financial scene of a “Bail-in”. The “Bail-in” is the equivalent of a “Bail-Up”, but done by “Banksters” and not Bushrangers, with the approval of the government of the day. So any government that passes such laws on their community should be condemned in the same way as any thief. For those who need any convincing, then see what has happened to the unfortunate depositors in the Bank of Cyprus who worked hard for their money; and through no fault of their own; had a great percentage of your capital taken over by the Bank of Cyprus by buying its next to worthless shares. The bailed-in depositors now hold roughly 80% of the newly issued shares in Bank of Cyprus. Depositors are not investors and that will be detrimental to the long term survival of the Bank of Cyprus. There is a way from this hideous path; and that is outlined in 1).

My submission is that of a concerned citizen who has been thinking seriously about our present world financial state; our Australian Banking system, and what can be done to improve its usefulness and robustness to the Australian citizen. My views and assessments are as valid and probably not as blinkered as the submissions made by vested interests; since I am daily subjected and affected by its functions. My submission does not address all your terms of reference; but I would hope that you also take into consideration the views of the users that will ultimately make or break any system for our financial institutions that you, as a panel propose.

Yours sincerely

Dr MB  
(User and Concerned Citizen)

Summary:

- 1) Fully and Completely Separate the Investment and Commercial arms of Banks - They have contradicting goals.
- 2) Australian Government to use its Constitutional Powers in Creating Money.
- 3) Debunk the “Too big to Fail” Concept. - All dinosaurs had their time once.
- 4) All companies to pay tax where they earn that profit.
- 5) Banks to serve our community, with openness and fairness to customers.
- 6) Criminal Sanctions to Bank Decision Makers for breaches to Australian Citizens.
- 7) Oppose “Bail-in” - This is just a “Bail-up” from our history; but now done by “Banksters”.