

Dear FSI panel,

I believe that the FSI should actually be inquiring into necessary banking regulation beginning with "Glass-Steagall", and national credit banking. These measures would solve the problem of too-big-to-fail banks without having to resort to the confiscation of deposits through bail-in, or taxpayer funded bail-outs, austerity budgets, etc.

Sincerely,
Elisa Barwick
Glenroy, Vic

FSI should investigate and regulate the banks, not act to protect them. Why don't Australians demand their political leaders discuss national banking as a historically provable and successful alternative to budget cuts?

As in the 1930s, the crisis today is entirely avoidable.

With its 2013-2014 budget, the Abbott government has effectively decided to bring about a depression by acting on behalf of the banks, rather than for the people.

Treasurer Ted Theodore submitted an alternative to similar austerity demanded of Australia by the British Empire during the 1930s depression, through his proposed fiduciary note issue in 1931.

In his 2010 account of the 1933 Pecora Commission, "The Hellhound of Wall Street: How Ferdinand Pecora's Investigation of the Great Crash Forever Changed American Finance", author Michael Perino tells a similar tale: about how Charles "Sunshine Charlie" Mitchell, the president of National City Bank, the world's largest bank, attempted to hold the government to ransom, which ruse would have continued to work, further ruining the nation, had not Pecora's investigation sent him and his mates to jail. Mitchell lectured politicians, including President Hoover, to restore fiscal discipline, or else. While his own bond salesman peddled millions of dollars of worthless stocks and bonds to credulous investors in the 1920s, he told New York Mayor Jimmy Walker, "cut your budget, or go elsewhere for your money." Walker proceeded to slash the New York City budget, with the ranks of homeless and unemployed skyrocketing. Mitchell lectured Hoover that taxes were damming "the natural flow of wealth", while ordering the federal government to stay out of all business life, including regulating his bond traders, who were "an essential element in the financial machinery of the United States."

Who would doubt that the Big Four and Macquarie have Abbott and Hockey just as much over a barrel?

Breaking the stranglehold of the banks over the economy begins with taking away their capacity to make masses of profit with other people's money and at other people's risk, and their motivation to do so, which is the desperate drive to feed their derivatives addiction.

The Pecora Commission led to the passage of the Glass-Steagall Act, which finally reined in the banks. Prior to those water tight restrictions, banks like National City were easily capable of getting around the regulations that did exist.

Glass-Steagall meant that no longer could a deposit-taking bank entice a customer to invest in the dodgy assets of the bank's investment arm; they no longer had an investment arm.

Nothing short of Glass-Steagall will suffice. In a November 2013 debate on Glass-Steagall vs Ring Fencing in the British House of Lords, Lord Forsyth of Drumlean, a former investment banker, was quoted saying, "bankers are extremely adept at getting between the wallpaper and the wall. If they can find a way to get around something, they will".

The other crucial action to rein in the banks is to take away their monopoly over credit, with the creation of a government bank.

Herein lies the solution to the apparent budget dilemma. When we reinstate the original design of the Commonwealth Bank envisioned by King O'Malley, no longer will the likes of Standard & Poor's be able to threaten us to cut

the budget or risk have our credit rating axed. They can, but it won't make any difference since our dependence upon foreign credit will have been severed. Suddenly government is empowered to fund the necessary economic activity required to maintain and grow the nation for the common good. If Abbott and Hockey have even the slightest intention to govern for the nation and not the banks, they have no option but to abandon their murderous budget cuts and introduce these measures. Prime Minister John Curtin said it very succinctly in a 1937 campaign speech at Fremantle: "If the Government of the Commonwealth deliberately excludes itself from all participation in the making or changing of monetary policy it cannot govern except in a secondary degree."

It is time to expose what our banks have really been up to, with the full sanction of both major parties, and it is your Inquiry's responsibility to do so. During the early phase of the 1933 Pecora Commission hearings, Ferdinand Pecora declared: "Sunlight is said to be the best of disinfectants; electric light the most efficient policeman". During his presidential campaign Franklin Delano Roosevelt likewise declared that federal law should "let in the light".

Once the population sees what has been taking place it will be clear that it must be changed, starting with Glass-Steagall regulations.