

Submission to the Financial System Inquiry - Funding

Dear Mr Murray and members of the Panel,

This submission should be read following my submission on Stability-Too Big to Fail, which emphasised that both Houses of Parliament should be recalled to enact a Glass-Steagall Act for Australia. What I say in here I was going to say in that submission, but since you address the role of government in the financial system, and infrastructure, separately, in the report from ring-fencing, I will do the same.

You Wrote:

Infrastructure financing

Submissions do not raise significant financial system issues that directly relate to infrastructure financing.

...

That is absolutely not true! The Citizens Electoral Council of Australia proposed a Commonwealth National Credit Bank Bill (http://cecaust.com.au/main.asp?sub=Glass-Steagall&id=fsi_submission.html), and click here for the legislation: http://cecaust.com.au/pubs/pdfs/CNCB_Pamphlet_2013.pdf). This bank, which is a fully-Government-owned-and-operated bank, can create the credit needed for the entire nation.

Your interim report continued...

The major issues submissions raise relate to infrastructure project selection and design, and the implications for the pipeline of greenfield projects.

Again, not true! The Citizens Electoral Council of Australia proposed an Australian Ring-Rail project using double-track magnetic-levitation rail technology, potentially using vacuum tubes; water projects such as the Snowy Mountains Scheme-like Bradfield Scheme, both powered by fusion power. (http://cecaust.com.au/pubs/pdfs/GSM_20140128_Final_small.pdf)

Your interim report continued...

This is consistent with the Productivity Commission's recent draft *Public Infrastructure* report. The Commission found:

There is no shortage of private sector capital that could potentially be deployed to finance public infrastructure in Australia. Private capital markets will finance most projects at the 'right price'.⁶⁹

If there is no shortage, why haven't these projects I mentioned above been built already? Aahh, because there is a shortage. Private-sector capital will never be able to find the money to fund those infrastructure projects I mentioned above. Also, their motivation is not the good of the nation and its people. They will ask, what profit can I make? Infrastructure is not a cash cow for private profit. Infrastructure is for the good of the nation and its people, and therefore, 'cost', 'funding', etc is not an issue. That's why government is the only authority which can provide the credit to fund it.

Submissions note a shortage of profitable infrastructure projects to invest in. Industry Super Australia states:

Industry SuperFunds have already made clear that they would make infrastructure investment of up to \$15 billion over the next five years if appropriate projects were made available. Reform of the bid process could well see them accelerate or even increase that projected level of investment.⁷⁰

A number of submissions suggest that funding for infrastructure has become more expensive since the GFC. Interest rate spreads on infrastructure projects have increased, including in Australia, Canada, the United Kingdom and the

United States.⁷¹ However, this mainly reflects the general re-pricing of risk. Investments in infrastructure are viewed by some as being illiquid. Infrastructure investment could be facilitated by developing liquid, tradable claims on infrastructure projects. This could provide greater scope for retail and institutional investors, including superannuation funds, to invest in infrastructure.

The Inquiry seeks further information on the following area:

What are the impediments to the development of liquid, tradeable claims on infrastructure projects?

A fallacy of composition. Money has no intrinsic value, especially under today's collapsing financial system of the Western world. Australia has to join the BRICS nations and their New Development Bank. Value lies in the human minds' employment of the productive powers of labour.

Everything which you say a couple of sections later on Government are a fraud for the reasons which I have already stated in this submission.

With a nod to US President Franklin Roosevelt's Fireside Chats, "Today I want to talk to you about banking." The following are quotes from people who know what banking is all about.

Look at what the founder of Australia's Commonwealth Bank, King O'Malley said in a 5-hour speech to Parliament:

"In the Commonwealth, the National Banking System will so greatly reduce interest rates that useful productions will increase by leaps and bounds. Wealth, instead of accumulating in the hands of the few, will be distributed among producers. A large proportion employed on relief works, building up cities, will be expanded in cultivating and beautifying the country. National improvements will be made to an extent, and in a perfection unexampled in the history of the world. Agriculture, manufactures, inventions, science, and the arts will flourish in every part of the nation. Those who are now non-producers will naturally become producers. Products will be owned by those who perform the labour, because the standard of distribution will neatly conform to the natural rights of humanity...."

Look at what the founder of Australia's Commonwealth Bank, King O'Malley said about wealth in his 1939 pamphlet, *Big battle*:

"Permanent wealth is produced by the slow process of industry, combined with skill and the manipulation of capital. Fog wealth is produced by the rapid process of placing one piece of paper in the possession of a bank as a collateral security for two pieces of paper. Some of the enormous quantity of paper which is being created now will sooner or later collapse. But with the Commonwealth Bank capable of sustaining legitimate credits, there can be no panic which will again destroy the market value of intrinsic values, ruin debtors, deprive workers of work, and produce general distress."

Founding Commonwealth Bank governor Denison Miller announced to his staff on the bank's general business opening day in 1913:

"The Bank is being started without capital, as none is required at the present time, but it is backed by the entire wealth and credit of the whole of the Commonwealth of Australia."

Former NSW Premier Jack Lang in his book, *The Great Bust*:

"Denison Miller had gone to London after the war finished and had thrown a great fright into the banking world by calmly telling a big bankers' dinner that the wealth of Australia represented six times the amount of money that had been borrowed, and that the bank could meet every demand *because it had the entire capital of the country behind it*... A deputation of unemployed waited on him after he arrived back from London at the head office of the Commonwealth Bank in Martin Place, Sydney. He was asked whether his bank would be prepared to raise another £350 million for productive purposes. He replied that *his bank was not only able to do it, but would be happy to do it*. Such statements as these caused near-panic in the City of London." [Emphasis added]

John Curtin's 1937 Fremantle Town Hall speech:

"If the Government of the Commonwealth deliberately excluded itself from all participation in the making or changing of monetary policy it cannot govern except in a secondary degree."

That's the solution. It has worked, whereas every single policy since 1983 has failed. The potential has no limit.

Regards,
Doug Mitchell,
Melbourne, Victoria.
August 25th 2014.