Submission to the Banking Royal Commission 2018-10-26 by Andy Chalkley

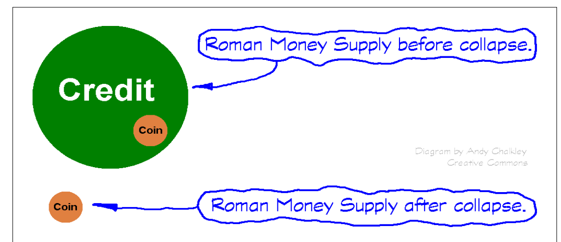
Protect the Real Economy.

Banking Separation

In Australia, we blindly assume that we are in a sound financial position because the news tells us so. The reality is somewhat different. The world money system froze in 2008. One 'Investment Bank' collapsed and other banks did not know who was capable of paying who, such was the complexity of 'who owes money to whom'. There is a need to protect our money system from collapse.

In Australia, the young can no longer afford houses. If the young cannot afford houses, we have fake affluence.

To date, the Reserve Bank of Australia has created $74 billion in cash folding notes. *[1]* The Reserve Bank tells us that the total volume of money in Australia is $2091 billion. *[M3] [1]* Clearly — this did not come from the Reserve Bank. Further figures tell us that the Government Debt in Australia is $826 billion *[2]* and when added to the Private debt of $3591 billion *[Bank for International Settlements 2018-03 or $2886 billion Australian Debt Clock 2018-10]* we get a Total Debt of $4417 billion. This is greater than the volume of money by a factor of two *[$4417 billion divided by $2091 billion = 2.1]*. There is twice as much debt in Australia as there is money! It can never be paid back. This is not a problem provided that we never make an attempt to pay it back. This alone is an instability issue before we consider the stabilities issues involved with Derivative's liability. This is a graph showing the Credit and 'Coin' at the collapse of the Roman Empire. Coin is real money and is equivalent to the Reserve Bank issued currency:



Here is the currency (orange) in Australia which is the folding notes produced by the Reserve Bank.

Here is the credit (green) issued by banks when they make loans.

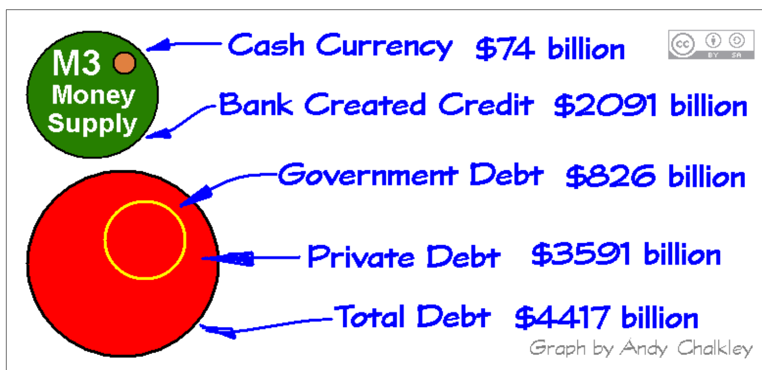
(Very little money originates from the Reserve Bank.)

In Australia, only 3.5% of the Money Supply originates from the Reserve Bank. 96.5% of the money in use is created as credit by banks and is listed in bank accounts. Unfortunately, there is more debt in bank accounts than there is credit. I explain the origin of this virtual credit in the following story: You walk into a bank and ask for one million dollars to buy a house. The bank officer looks you in the eye and says: "You are a good person. You have a job. Our bank will lend you the money." On the appointed date, the bank writes one million dollars with a plus sign next to it, in the seller's account. It writes one million dollars against a new loan account in your name, with a minus sign next to it. One million dollars with a plus sign and one million dollars with a minus sign makes zero. The loan is a sum zero transaction. It takes no money to make a loan. From that moment, there is one million dollars more money in the nation and one million dollars more debt.

During this lending process, no transaction occurred at the central bank. No cash money moved from a vault. No customer deposits were required. The bank simply wrote one million with a plus sign in one account and one million with a minus sign in another account.

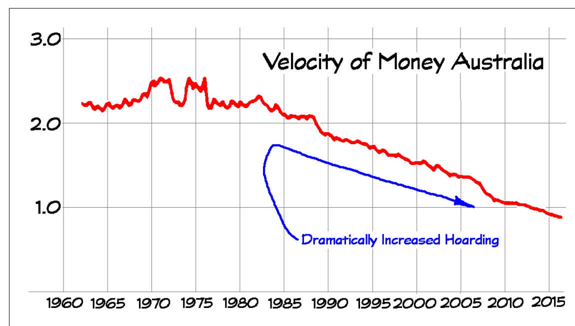
A problem occurs when interest is added to the loan. At the end of the first year, you owe the bank one million plus ten percent. Next year, you owe one million plus ten plus ten. The next year, you owe one million plus ten plus ten plus ten. The result is that the debt magnifies to exceed the volume of money. Thus, in Australia, we have two times as much debt as there is money. The debts are unpayable. Banks create unpayable debt. The debts are uncollectible. The banks are questionably bankrupt as they are unable to

collect their debts. Moses warned us about this. Jesus stood against the manipulation of money to the detriment of the poor. Mohamed made a strict set of rules governing the lending of money and expecting more in return. Mohamed was a businessman. He recognised that business needed money before it could make money and so he allowed lending for business but not for consumption. Here is a graph of the debt in Australia:

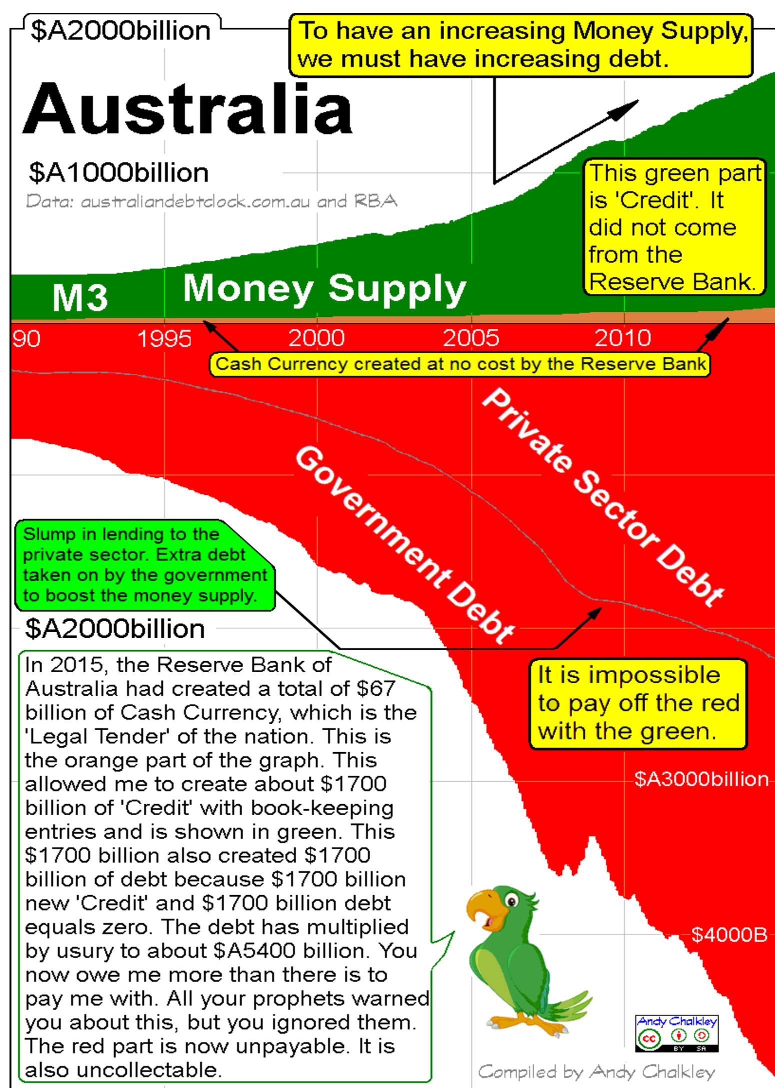


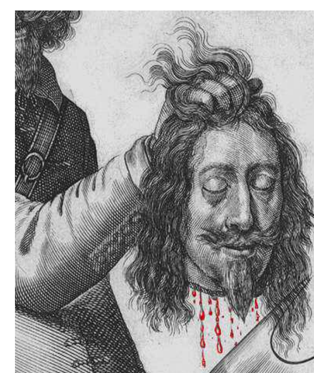
Any attempt to pay back debt will destroy the crucial circulating medium and all trade in Australia would cease. It is impossible to repay the bank created debt. It is biblical usury where lending is used to impoverish and control. Here is a graph showing the Currency (orange), the Money Supply (green), and the debt (red). The Money Supply needs to increase mildly each year to cover for increased business activity, population increase, and increased economic activity. A mild Money Supply increase is also needed to cover for increased hoarding of money. Hoarding is detected as a fall in the Velocity of money.

If the Money Supply fails to increase, a recession tends to occur. [Although it is also influenced by Velocity, which tends to change more slowly.]



As you can see, the debt level needs to increase annually to ensure that the Money Supply increases annually. We can live with debt. We can live with unpayable debt, but we cannot live with collapse. To keep the economy buoyant, we need to hang debt on a mildly increasing asset base that now includes those that enhance the economy — university stem students.



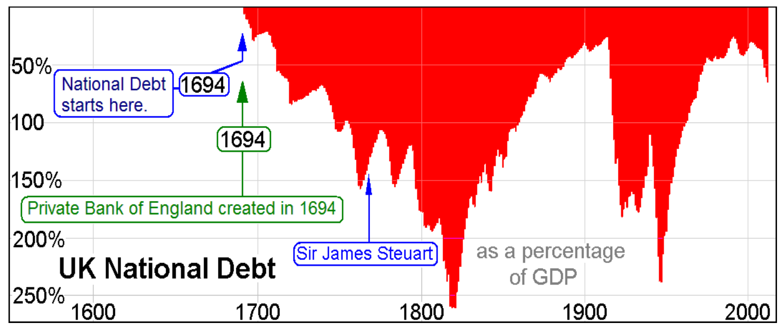


The money system of England was a debt-free system where the King created and issued the currency of the nation. This wonderful system came to an end when King Charles' conveniently had his head removed.

A group of businessmen invited William of Orange, a Dutchman, to be King of England provided that he signed on the dotted line. From that time, the nation's money was borrowed into existence. The National Debt of England started from that date and has never

disappeared.

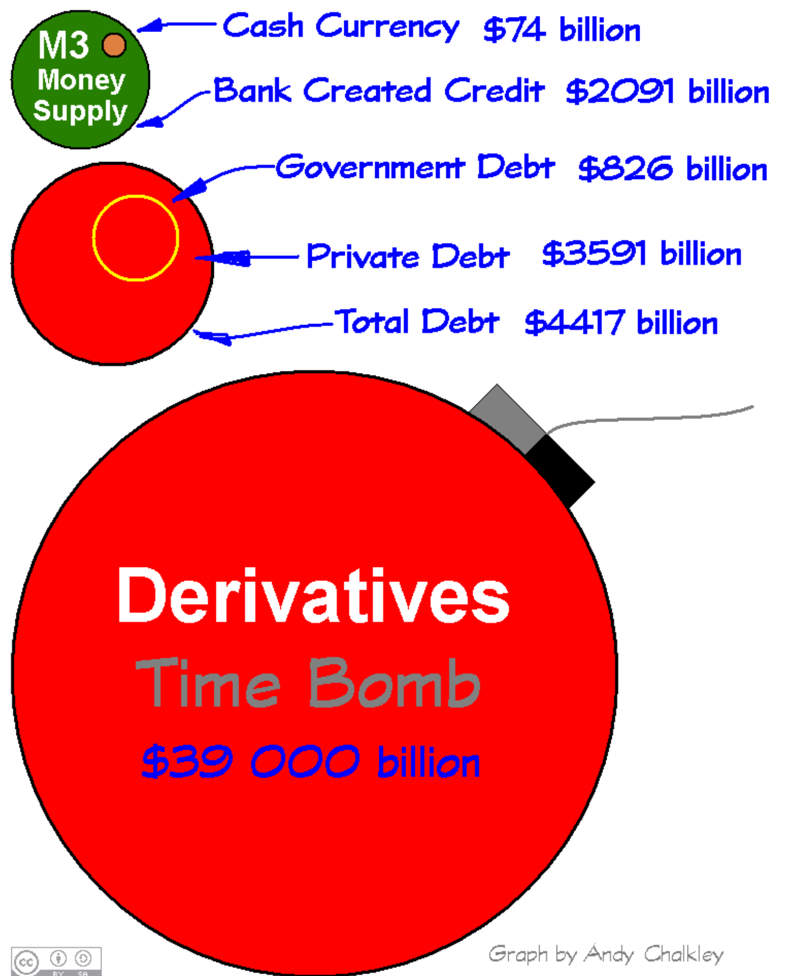
We have inherited this unstable system that generates unpayable debt. However, we can live with the debt and can survive its unpayable nature provided that we never try to repay it. It is why banks bail out nations. A bailout is a bailout of the banks rather than a bailout of a nation. Any significant failure of a nation to repay a bank would collapse the money system as it did in 1345. Whence Europe experienced a loss of life of up to one in three. Never forget that money has no intrinsic value. It is numbers written on paper or numbers in a register. It is only compulsion that maintains its value.



But there is yet a bigger problem. Investment Banking industry has been very inventive. Instead of investing in real assets, they invented them and called them Derivatives. Ever looking for things to invest in to make ‘money from money’ and ways to dupe unwary investors, they have invented virtual objects that have value but have no underlying asset. They are called ‘Derivatives’ — so named because they derive their value from something else. I define a Derivative as a virtual asset whose value is derived from the value of something else. Its intrinsic value is zero because it is is not an asset but it has value because it is deemed to be equal in value to the value of something else in the future. Money has a similar characteristic in that its value is defined as being equal to something else even though it is created at no cost. For Derivatives, common underlying instruments include bonds, interest rates, currencies, commodities, market indexes, and stocks. When you own a Derivative, you don’t actually own the underlying asset. This is why they get described as ‘time bombs’. At one time, they had a purpose in that they could be used as an insurance against price changes. A farmer could use them to get a guaranteed price for his product irrespective of whether the price rose or fell. However, the insatiable demand for investors to make more and more money from money has caused an explosion in their existence to the extent that Australia has an exposure of $37,000 billion:

This dwarfs the rest of the economy and a collapse would lead to people ‘fighting over the last sandwich with machine guns’.

Banks are so embedded in Australian politics that it is impossible to stop this idiotic gambling in worthless paper. The very nature of Derivatives is that it is a sum zero total. The sum total of all derivatives in the world is zero, yet they are listed in the plus on balance sheets. If something serious happens, such as the collapse of a few big banks, they become worthless. In doing so, they take the whole banking system down with them along with their virtual money system. The best solution is to close these evil enterprises, but their level of control in politics would make this difficult so the next option is to isolate this irrelevant component from the crucial payments system belonging to the Commercial Banks so that in the event of a collapse of the Investment Banks, the Commercial Banks with Mums and Dads, savings, business banking accounts, and the bank payments system are not destroyed.



There are two types of banks. They are: ‘Commercial Banks’ and ‘Investment Banks’.

- Commercial Banks are the high street banks that lend money to families for house mortgages, lend to local businesses and deal with payments between businesses and individuals.
- Investment Banks use ‘money to make money’ for their generally affluent clients and for the bank itself.

The Commercial Banks lend money to homeowners and businesses and operate the ‘Payments System’ that allows individuals and businesses to transfer money between clients as a means of payment. The Commercial Banks cooperate to adjust customers balances to affect money transfers between clients.

Investment Banks operate to invest their client’s money in projects that will secure the greatest return. They also invest their own money in projects that will secure the greatest return. ‘Their own money’ is a bit of a misnomer, because they are effectively using the deposits of their customers. They are putting their customer’s money at risk. Over the many decades, these banks have consolidated their power and have managed to dismantle regulation and neutralise any enforcers. They are so large that they manage to manipulate market prices in favour of there own bank and often to the detriment of their own customers. They even succeed in pushing risk onto the taxpayers. When they win, they win. If they lose, they get bailed out. As one person quipped: “All that talent is devoted to stealing things, instead of making things.” [4] Tyler Durden calls it “Sanctioned Theft”. They quite happily fleece pension funds, government departments, and other ‘dumb’ investors. They have placed themselves in a position to use vast quantities of lobbyist money to influence how our politicians legislate. In a democracy, if there is one lobbyist with deep pockets, that lobbyist has more power than all the voters put together. The Guardian lists 218 Australian lobbyist firms. Even The ever edited Wikipedia claims: “Over the past twenty years, lobbying in Australia has grown from a small industry of a few hundred employees to a multi-billion dollar per year industry.”

To prevent a bank-induced-collapse of our monetary system, we need to ensure that a collapse of one or more Investment Banks does not bring down the Commercial Banks with the essential payments system. It is essential to keep the ‘high street’ Commercial Banks operating if and when the big investment banks collapse. We cannot currently operate businesses without a payments system. The use of cash for business transactions is far too inefficient. When the bank system colapses, they take 96.5% of the money system away leaving only 3.5% of the money system intact. It is crucial that the Investment Banks be separated from the Commercial Banks to ensure continued operation of the payments system in the event of a collapse of the nvestment Banks. In the event of a collapse of all or part of the finance industry, the Real Economy continues. We are sleeping on a volcano — unaware of what is heaving below. When these things blow, they do so overnight. Wake up in the morning and nothing is available. Only cash works. The approach is to separate the financial industry from the banks that operate in the Real Economy.

The ‘Real Economy’ is the part of the economy that produces goods and services — it is the part that feeds, clothes, houses and entertains us. It has nothing in common with the part of the economy that is concerned with buying and selling on the financial markets. The Real Economy has more to do with businesses, growth, and job creation whilst the financial economy has more to do with ‘making money from money’, interest rates, stock prices, foreign exchange rates, derivatives and how to get rich as quickly as possible or go broke on the way. The ‘Real Economy’ is concerned with the production of goods and services on which jobs and incomes depend. The Commercial Banks operate in the Real Economy. The Investment Banks operate in the financial economy.

The situation at present is particularly dire. Over the last few years, the advent of Derivatives has made the investment banks particularly unstable. The collapse of one investment bank could bring down other investment banks. Such is the interconnectedness of the transactions that banks cannot immediately tell who owes what to who when a big bank collapses and inter-bank trust evaporates. Since the repeal of the U.S.A. Glass-Steagall laws in 1999 by the Gramm-Leach-Bliley Act, the Commercial Banks and the Investment Banks have closer ownership. they have become joined at the hop. A collapse of any Investment Bank could bring down any number of Commercial Banks. This is not a situation worth contemplating. A financial Armageddon would result. Those with the bullets will survive.

Glass-Steagall

The Glass-Steagall Act of 1933 was a law that Franklin D. Roosevelt used to get the United States out of the Great Depression. The act forced banks to choose between being a Commercial Bank or being an Investment Bank. Many banks separated into two separate banks, an Investment Bank and a Commercial Bank. Commercial Banks are the high street banks in which families and businesses place their deposits and run

their check and savings accounts. Commercial Banks operate the national and worldwide ‘payments system’, on which our livelihood relies. Investment Banks are City of London Banks, Wall Street Banks, and other large international banks that trade with the purpose of making money from money. The Glass-Steagall Act stopped local high street type banks (Commercial Banks) from engaging in risk-taking speculation with their customers’ deposits. It stopped Commercial Banks from gambling away people’s life savings. It meant that Commercial Banks could not trade (gamble, risk) with their customer’s deposits for their own profit. A rarely talked about side point is that it encouraged high street Commercial Banks to invest in local business. Although rarely mentioned, this is an essential element of a Glass-Steagall reform. When High Street banks invest local money in local businesses, the locality thrives. Wall Street Banks successfully lobbied the regulators to chip away at the Glass-Steagall rules in the nineteen eighties. Congress finally repealed the Glass-Steagall Act in 1999 during the Clinton years. Once the Glass-Steagall laws were repealed, six big banks went from controlling effectively the equivalent of 15 percent of US GDP to controlling around 65 percent of US GDP. Many people believe the repeal of the Glass-Steagall Act led to massive investment speculation that caused the financial crash of 2008.

The History of The Glass-Steagall and the Banking Act of 1933

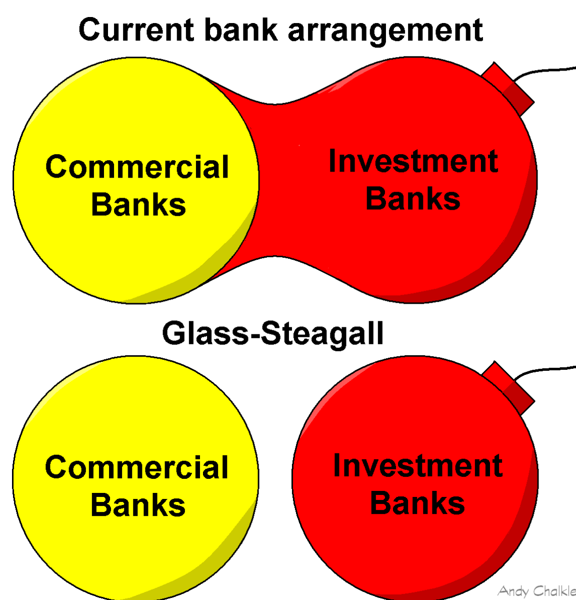
The volume of investment banking had increased dramatically in the early 1900s. There had been a large rise in stock prices. This bubble collapsed in 1929, leading to the Great Depression. Around eleven thousand banks failed and unemployment rose to about 25% in the USA and to about 29% in Australia. The excesses of the Investment Banks, of that period, caused new regulations to be created to protect citizens from fraudulent investment situations, reduce the incidence of bubbles and stabilize the banking system.

The Glass-Steagall Act is a set of rules that are part of the Banking Act of 1933. This act required banks to separate themselves from their investment department. Banks were required to declare themselves as Commercial Banks or Investment Banks. The Banking Act created the FDIC (Federal Deposit Insurance Commission) to insure consumers’ deposits with Commercial Banks and included the Glass-Steagall provisions to reduce the risk of providing such insurance. Glass-Steagall made it illegal for a bank that held FDIC-insured deposits to invest in anything other low-risk situations. Many large banks split into two entities. JP Morgan split into JP Morgan as a commercial bank and the investment section became Morgan Stanley and the British section became Morgan Grenfell. The Glass-Steagall Act remained in place until it was weakened and finally repealed in 1999.

The Glass-Steagall Act is the only tested and proven economic stabilizer.

Commercial Banks operate in the Real Economy. They supply business loans, house loans and operate the ‘payments system’ on which the Real Economy relies.

The American Financial Crisis Inquiry Commission has published the results of its study on the causes of the 2008 financial crash. The report gives the main reason for the crisis as the gradual removal of the measures aimed at protecting citizens set up by Franklin Roosevelt in the nineteen thirties, including the Glass-Steagall Act.



Glass-Steagall

A new Glass-Steagall Act is an essential component of our financial solution. Glass-Steagall needs your full support.

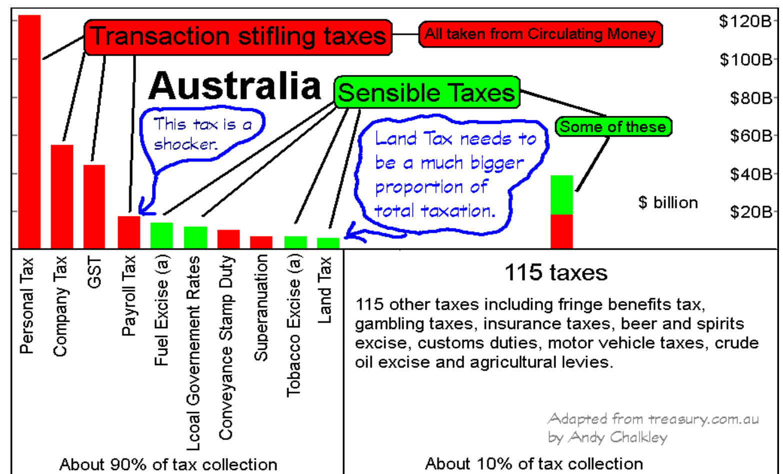
Do not be deceived into thinking it is the full solution to our financial problems. It is the starting point. Glass-Steagall is needed to help prevent a collapse of our money system whilst significantly helping the local economy.

“The next Messiah will state that the making of ‘money from money’ is an evil practice.”

The making of money from money is not an essential component of a money system. The great human invention of money enabled trade. In fact, the ability to make money from money is an entirely unnecessary component of a money system. If its sole purpose is to gain more money, then it is a cause of hoarding of money which drains money out of the ‘Real Economy’. Money only does something useful when it changes hands. The more it

changes hands, the more economic activity it generates. Moving money generates prosperity. Money should never be allowed to sit idle. Australian money is very lazy as it only changes hands once in a year on average. The culprit is not the ordinary working people as their money has gone by the end of the week. The culprits are the better off who leave money in bank accounts for years on end and institutions that only move money in the financial markets. Unfortunately, those with influence have adjusted our tax system to remove money when it moves through income and sales taxes. Hoarded money attracts no tax. So when money is doing what it is meant to do — enable transactions — it is taxed heavily and when it is hoarded or used to make money from money, it is almost entirely untaxed.

These activities largely escape the taxation levied on the essential Real Economy. If one buys a block of gold, one pays no tax. If one buys shares in a gold mine, one pays no tax, yet if one buys gold paint for business purposes in the Real Economy, one pays tax.



We need to ensure that our banking system serves the economy and not the other way around. The banking system is tolerated to making affordable loans to businesses of all sizes so that these business can employ persons so the livelihood of all is benefited. The Investment Banks do not operate for the benefit of the ordinary persons, they operate to make money without producing anything of benefit to humankind in general. What is worse, their activities have tended toward gambling in vast volumes of risk prone financial instruments. They happily make great profits but on failure, they don't just evaporate, they take us, the citizens, with them or they require the taxpayers to bail them out. Whilst they are tied to Commercial Banks, the taxpayers tend to pay for their profligacy. Our perverted outlook holds these economy wreckers in esteem.

To back up some of my previous statements, I quote from a Bank of England document titled: 'Bulletin by the Bank of England (2014 Q1)' [3]

> "This article explains how the majority of money in the modern economy is created by commercial banks making loans." [3] ...

..the majority of money in the modern economy is created by commercial banks making loans.

> "Money creation in practice differs from some popular misconceptions—banks do not act simply as intermediaries, lending out deposits that savers place with them, and nor do they 'multiply up' central bank money to create new loans and deposits." [3] ...

> "In the modern economy, most money takes the form of bank deposits. How those bank deposits are created is often misunderstood: the principal way is through commercial banks making loans. Whenever a bank makes a loan, it simultaneously creates a matching deposit in the borrower's bank account, thereby creating new money." [3]

> "The reality of how money is created today differs from the description found in some economics textbooks:" [3] ...

> "money is largely created by commercial banks making loans." [3]

Even the Multiplier effect was quashed when the Bank of England pointed out that the banks can borrow the reserves. [3]

Regulation

A restriction is needed banking licenses. The restriction is that banks may not trade for their own profit. The banking license only allows for trading for profit for its clients from which it earns commissions and fees. Banks may own assets as part of their business but should not trade these assets. Some time limits to ownership should be instituted so that asset purchases are not purchased for short-term profit.

- Stop financial influence in politics.

- Stop corporate avoidance of tax.
- Prevent the stacking of government banks and government departments with bank employees in what is usually referred to as a ‘revolving door’ arrangement.
- Stop superannuation savings being used as a slush fund for vested interests.
- Restrict the availability of loans for speculation.
- Institute homeowners protection. Introduce legislation to stop home and farm foreclosures, with the reasoning that homeownership is needed as a ‘guarantee of social and economic stability’. The Australian Federal Government passed the War Precautions Act of 1916 to stop foreclosures. Every state in Australia enacted legislation during the Depression to stop home and farm foreclosures. The Australian Federal Government passed the Farmers’ Relief Act, which provided money to the states for the relief of farmers. The intent was to protect the ‘Common Good’ by ensuring debtors were not crushed by creditors. It is still necessary for homeowners and farmers to be protected from the predatory actions of banks. Banks can increase interest rates at will and cause farm foreclosure. The farm is using land provided by nature to produce food for the city folk. The viability of a farm depends on its ability to pay interest to a bank rather than its ability to produce food. Before banks, land was granted to anyone who was prepared to work it for the benefit of society. The price of houses is dependent on the availability of work in the region, so work is the factor that determines whether one can move into a town. The availability of work depends upon the economic activity of the nation which depends upon the Money Supply of a nation which is dependent on the lending habits of the banks. Thus, a cutback caused by banks allows banks to foreclose. It is not in the nation’s good to allow bank initiated evictions that were caused by bank-induced recessions.
- Ban most derivatives. For the most part, they are unnecessary and allow banks to use devious deceptive practices that are not to the benefit of society. They legally allow banks to prey on the vulnerable.
- Banks can currently bet against their clients. Banks can make a profit from the loss of a client.
- The central bank gives the illusion that banks are controlled. This is a carefully controlled myth. It is an agent of collusion that covers for the dominance of Bank Credit as the major component of the Money Supply. It is too easily stacked by past employees of the banking industry. It is propagandized by the common statement: “Keep the central bank free from political influence.” This is a euphemism for control by private vested interests. This practice is a destabilizing influence on the economy.
- Ban short selling. Short selling is selling an item that you do not own. The item that you sold is purchased later in a cosy arrangement with a share trader. Ban all forms of short selling.
- Ban the purchase of stocks and related products with anything other than real money. Leveraging and borrowing for purchases should be banned. The practice absorbs manpower and is dangerous to the stability of the nation.
- Put a heavy tax on any stocks, shares, bonds or financial instruments sold within one year. The purchase of an asset for sale within one year was for the purpose of speculation and not purchased as an investment.
- Allow gold and silver to be used as money. Not as a backing for money but as an alternative. It cannot be wiped out by a collapse of the banking system. Silver is particularly useful as it is comparatively plentiful and is not hogged by members of the financial industry.
- Do not allow certificates to be issued for gold and silver that does not exist.
- Banks should not invest for their own profit. They should lose their banking license if they invest for their own profit. If a bank wishes to trade for its own profit, it should be split off into a separate company which does not have a bank license.
- Break the banks into units that are not too big to fail. Large projects can be financed by public banks or consortiums of banks as was commonly done in the past.
- Create regional and local stock exchanges so that small local businesses have an alternative to private bank finance. A stock exchange takes money from those that don’t know what to do with it and gives it to those that will do something productive with it. This also reduces hoarding.
- Encourage local crowdfunding as an alternative to private bank finance. Try the Spacehive site for

community ideas. [www.spacehive.com] They build food hubs, community orchards, play areas, parks, and community facilities.
- Recognise that bank initiated evictions are caused by bank-induced recessions.
- Put a Transactions Tax of 0.1% on all transactions or at least on all trades.
- Do not allow banks to create money.
- De-licence any bank that raises interest rates then forcloses on clients.

Control of the Money Supply

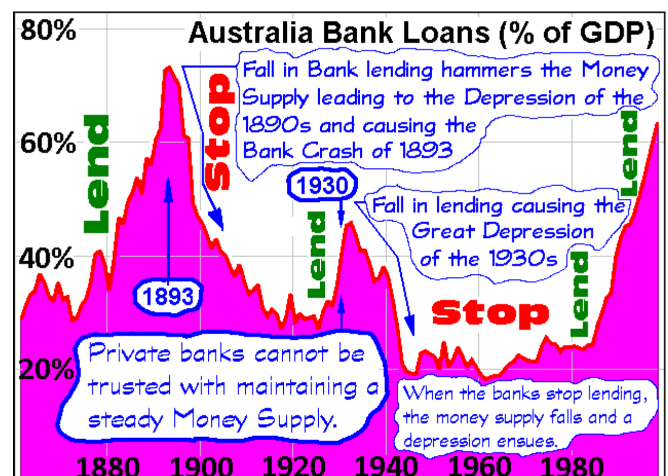
To control the economic activity of the nation it is necessary to control the Money Supply. It is necessary to have a mild increasing Money Supply in line with increased population and increased economic activity. Less recognised is that a fall in velocity requires a similar rise in the money supply. The magnitude of the Money Supply depends on the rate that banks create new loans. To cover for their belligerence and their habit of lending in the good times and being reticent in the bad times, a pretence is created that this is a 'Central Bank' function. This deflects criticism to the 'Central Bank'. The 'Central Bank' is claimed to be owned by the government but its control tends to be by 'bankers'. The Bank of England wrote this in 2014:

> "Is it difficult to believe that the Central Bank with the blunt instrument of interest rate control can control private corporation lending habits. As inflation continues to flourish, their control appears to be a carefully controlled myth." [5]

Notice that they say: "their control appears to be a carefully controlled myth." It is not appropriate to allow a group of four cooperating private corporations who lend money for profit manage the magnitude of the Money Supply. A skilled 'Commissioner of Money' is needed to manage its magnitude. Never forget that money is a freely created commodity. It is issued in restricted volumes to maintain its demand. Its backing is the GDP. People are happy if it buys them part of the GDP — if it buys them goods. Thus the backing for money is the GDP. (Not gold.)

Who should create the Money?

One accepts that the government has the authority to create the money of the nation. In Australia, The Reserve Bank creates $74 billion of the $2091 billion Money Supply. This is 3.5%. Even then there is the question about ownership of the Reserve Bank versus control of the Reserve Bank for they are not the same thing. 96.5% is created as credit by private banks. 0% is created by Public Banks. China has done remarkably well in using Public Banks to bolster its economy. Australia did remarkably well with its original Public Bank, the Commonwealth Bank set up in 1912, until it was neutered and turned into a private bank. The Commonwealth bank financed businesses, home buyers, manufacturers, primary producers, and in the process created a vibrant and rich economy. The creation of credit and the maintenance of its volume is crucial to the economy and well being of the country. These essential features have become a private monopoly by a group of banks who judge their performance by their profits, not by the well being of the nation. They have a habit of lending when the economy is buoyant causing selective inflation in areas to which they lend and they cut back on lending in tougher times just when more credit is needed. Their history is atrocious.



For financial and economic wellbeing, these two related critical functions need to become a people's monopoly. This is not new. Mr. Duthie had this to say in the Australian Parliament in a heated debate in 1947. The date 1694 is the date that a private group of businessmen created their own private bank which they inappropriately named "Bank of England":

> "...control of finance and credit can no longer remain a private monopoly, but must, for financial and economic sanity, become a people's monopoly. Ever since 1694, private banking institutions have issued the credit of the nations and dictated to governments, withholding or releasing credit at will, thus holding in their hands the destinies of the people. For 353 years, these institutions have had world ramifications,

surrounded themselves with a holy of holies atmosphere, discouraged a study of money and finance among the common people, put out such false stories as ‘safe as a bank’ and ‘banks lend only their depositors’ money’,...” [6]

“Ever since 1694, the private banks have created credit on which they have charged interest to individuals and governments.” [6]

“...it can be seen what a profitable industry the private banks have carried on for 353 years—creating credit by book entries in a ledger and charging the borrower up to 10 per cent., and even 12 per cent., interest. Credit manufacture became more profitable when it was discovered that a bank could lend safely even up to ten times the amount of its deposits. Money has been made a weapon for good or evil, boom or slump, in the hands of private banking institutions—a master of the people and governments instead of a servant.” [6]

It is a serious question whether an unelected group of private interests should have total control over the means of exchange and its volume. It is in the hands of these people to irresponsibly or maliciously restrict the availability of credit which dramatically alters the economic activity of the nation. The volume of credit needs to be adequate in magnitude and to mildly increase annually in line with available economic output. It is not clear whether one drives the other or the other drives the one. But the magnitude and gradual increase are critical to the health of the nation. At times of restricted lending, there arrives a calling in overdrafts whilst reckless lending occurs in better times. The banks are in the privileged position of creating ruin.

It is to be considered whether the private manufacture of credit, our crucial medium of exchange, should be in private hands. It is as if they have been given free rein to counterfeit.

Mr. Duthie's 1947 comments are still relevant today. Why do we tolerate a private banking industry providing 96.5% or the money in use in our nation? They fluctuate its volume and decide who is allowed to obtain credit. By drying up credit to small business, we are pushed into the hands of corporations. The amusing concept that a Central Bank, nominally owned by the government but stacked with bankers, can alter the volume of credit issued by banks by adjusting interest rates is false. Mr. Duthie, whose words live on in Hansard, comments:

“The real rulers of Australia were, not the Scullin Government, but the financiers outside Parliament, who were subject to no one but their shareholders, who demanded that, where the people’s welfare and their profits clashed, the profits must come first.” [6]

Nowadays, they simply supply the politicians with 'free advice' and generous campaign funds. Mr. Duthie tells us that the same banks restrict credit to cause a recession which then gets blamed on the government.

“The banks do not like being reminded of their financial dictatorship, but we will not let them forget it.”

Mr. Riordan: talking about the activities of the private banks in 1893:

“...The failure of the banking system at that time unquestionably arrested the steady progress of the country and we had painfully to rebuild from the wreckage for which the private banks were responsible. Thousands of depositors were ruined. They had no security whatever. ...” [6]

Their arguments lead to equally valid arguments of today where the government should create all the money and credit of the nation. I often ask the question: “Who has the authority to create the money of the nation?” The answer is clearly the Government. I then ask: “Why then, would the government be in debt?” The reason is that it is borrowing money from private entities by the method of issuing bonds. (Treasuries) The government should control the issue of money and credit whilst also operating a public bank. Mr. Riordan proffers the following reasons that are still valid today: [6]

1. It will end the dictatorial power of the private banking monopoly.
2. It will enable the people of the country to be saved from the misery and degradation of another depression by permitting the expansion of credit to offset unemployment.
3. The whole of the profits from the banking system will go back to the people.
4. It will protect thousands of workers who are paying off the cost of their new homes. They will not lose them as other workers did in the depression of 1929.
5. It will control the issues of credit on a national scale and will ease the terms of credits for farmers, business men, shopkeepers and home-builders.
6. It will permit national development to proceed with such measures as water conservation and the elimination of soil erosion.

7. It will save governments from the dictatorship of private banking monopolists, who have previously forced wage, pension and salary reductions upon the people.
8. It will give security to depositors, because the full resources of the Commonwealth will be behind the banking system.
9. It will increase bank services to farmers.
10. It will give unrestricted security to bank employees.
11. It will prevent the establishment of a private banking monopoly, which is threatening Australia, as evidenced by recent amalgamations of private trading banks.

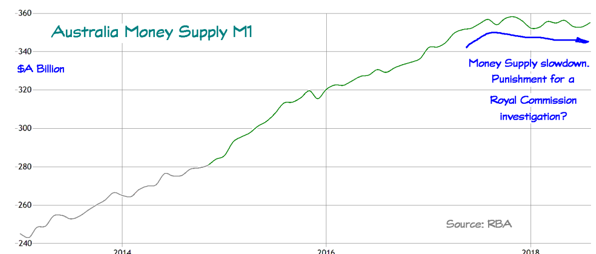
Mr Chifley, the then Prime Minister and Treasurer made it abundantly clear when he said:

> "No single factor can do more to influence the welfare and progress of a community than the management of the volume and flow of money." ...
>
> "When the depression came the banks as a whole restricted new lending and called in advances."
>
> "In the absence of control, private banks can expand or contract the volume of their lending and so vary within wide limits the supply of money available to the public. They can also determine when and where they will lend and upon what terms; and in these operations they are guided primarily by the interests of those who own and control them. — Whatever regard they may claim to pay to the wider concerns of the nation, their policies are dictated in the last resort by the desire to make profits and to secure the value of their own assets."

I next give you a passage from a letter from the then chairman of the Commonwealth Bank Board, Sir Robert Gibson, to the then Treasurer, Mr. Theodore, in 1931:

> "Subject to adequate and equitable reductions in all wages, salaries, and allowances, pensions, social benefits of all kinds, interest and other factors which affect the cost of living, the Commonwealth Bank Board will actively co-operate with the trading banks and the governments of Australia in sustaining industry and restoring employment."

Thus, during this critical time, the bank dictated policy to a government and at the same time knew that it could repair the damage to the economy. One can assume that it also knew that its actions caused the problems in the first place. The action of cutting credit destroys the economy. You will likely see a fall in the Money Supply as a punishment on the Australian public for daring to have a Royal Commission into its activities.



We need banking separation (Glass-Steagall) for the following reasons:

- To stop risky investments that helped create the 2008 crash.
- To protect the all-important payments system. When investment banks collapse, we do not want them to bring down the commercial banks.
- To redirect the investment into the real economy where it benefits society most.
- To limit the volume of speculation with its bubble and crash creating tendencies.
- To return money to where it does the task for which it was invented: enable transactions and trade. Money was not invented for the purpose of giving more money to people with more-money-than-they-can-spend.

Andy Chalkley. North Perth, Western Australia

andy@chalkley.id.au

This Solution is not copyrighted.

[1] RBA 2018-08
[2] Australian Debt Clock
[3] www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q1.pdf
[4] Nobel Prize-winning economist Angus Deaton
[5] Bank of England. Quarterly Bulletin 2014 Q1. Money creation in the modern economy.
[6] [Hansard 1947 Australia, House of Representatives, Debates, 6 November 1947, viewed 6 July 2017, http://historichansard.net/hofreps/1947/19471106_reps_18_194/