Citizens Electoral Council of Australia

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Independent Political Party

5th of September 2014

Australia tries to exclude from G20 most vocal opponent of 'bail-in'—Putin

All is not as it seems. Tony Abbott is using the Ukraine crisis to lobby other G20 members to agree to exclude Russian President Vladimir Putin from the Brisbane summit in November.

But it so happens that on the main subject of that summit—creditor bail-ins of too-big-to-fail (TBTF) banks[1]—Putin of all G20 leaders has been the most vocal critic.

Putin strenuously opposed the bail-in of Cyprus depositors in March 2013, which he slammed as "unfair, unprofessional and dangerous". He was instrumental in successfully lobbying the Cyprus legislators to initially reject the European demand for a depositor "haircut".

Later, under extreme pressure from the "Troika" of the EU, European Central Bank, and IMF, Cyprus caved and imposed bail-in on deposits above 100,000 euro. The effect was as dangerous as Putin had warned: it destroyed confidence in banking and threatened bank "runs" that the authorities only averted by freezing all deposits, limiting withdrawals to 300 euro per day, which smashed the Cypriot economy.

A few months later, at the 20-21 June St. Petersburg International Economic Forum (SPIEF), Putin was joined onstage for a Q&A session by German Chancellor Angela Merkel, who at one point complained that Putin sometimes "talks too loud." Then, after Merkel gave a long and intricate, but not very substantial, reply to a question about too-big-to-fail banks, Putin demanded the microphone and said, "Madame Federal Chancellor has said that she doesn't know how the banks will be recapitalised. She also said that I sometimes talk too loud. So, let me say this in a whisper: 'I hope it won't be at the expense of their customers!'"

Resisting the BRICS faction?

Putin's views on bail-in are just one potential sticking point at November's G20 Leaders' Summit in Brisbane.

All five members of the powerful BRICS group of nations—Brazil, Russia, India, China and South Africa—are in the G20, constituting a sizeable faction, not to mention the majority in terms of population. Since the last G20 meeting, the BRICS have effectively declared war on London and Wall Street's control over the global financial system[2], by establishing alternatives to the World Bank, called the New Development Bank, and the IMF, called the Contingent Reserve Fund, to finance an historic perspective of collaborative economic development.

They are also firm supporters of another G20 member, Argentina, in its fight against the London and Wall Street vulture funds, which, like mafia debt collectors, prey on indebted nations, buy up their bonds for cents on the dollar, and then get U.S. courts to rule those nations must pay in full, so they can profit to the tune of hundreds of percent. The nation of Argentina is asserting its sovereignty, to reject that it comes under the jurisdiction of a U.S. court, and to insist on sticking with the existing agreement it had with all of its creditors except the vulture funds. Other G20 member nations, such as France, join the BRICS in supporting Argentina's fight.

But this potentially sets the scene at the Brisbane G20 for a massive brawl, between the major BRICS-plus faction which insists on economic sovereignty and development, and the Anglo-American faction, that includes the presently disgustingly sycophantic Australia, which insists that all nations bow to the private financial power of London and Wall Street, suck up banker-dictated policies that destroy their populations such as austerity and bail-in, and let those same bankers and hedge fund and vulture fund managers get off scot-free for the financial crimes that caused the worst meltdown in living memory.

Argentine President Christina Fernández de Kirchner has foreshadowed using the forum of the Brisbane G20 to promote the BRICS-Argentina policies. When she met Putin in Buenos Aires 12 July, Fernández revealed they discussed the need for the "next G20 meeting to have a much broader agenda than it's had to date, due to the problems existing in the world." Of particular importance, she said, is the need for global economic and financial regulation, noting that "President Putin also agrees on the need for global reform." The two presidents agreed that on a global scale, capital flows "which have practically turned the world into a financial casino" must be regulated.

There is so much at stake at the G20 meeting, Abbott's deployment of Julie Bishop to lobby for Putin's exclusion has all the hallmarks of a classic, British-style divide-and-conquer move to resist the BRICS agenda, rather than anything to do with Ukraine.

Australians must ask themselves: which economic perspective—the London-Wall Street financial dictatorship or BRICS-style economic development—do we prefer?

The CEC is fighting against bail-in and for Australia to join the BRICS agenda for economic development.

Join us!

Footnotes

1) http://cecaust.com.au/releases/2014_06_11_Bail_In_G20.html
2) http://cecaust.com.au/releases/2014_08_21_BRICS_Update.html
3) http://cecaust.com.au/releases/2013_11_27_Goose_Stepping_Hockey.html

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3rd of September 2014

Hockey's chief economist turns bank lobbyist: time to end government of, by and for the bankers

Six months after Joe Hockey's chief economist Tony Pearson menacingly "advised" representatives of the CEC to stop warning people about the dangers facing Australia's banks from derivatives gambling, he has shifted over to lobbying *for* the banks to influence government policy. Pearson shifts from government to private employment with ease—his career has gone from the Reserve Bank, to ANZ, to Hockey, and now to the bank-funded Australian Bankers' Association (ABA).

Pearson and the CEC came to verbal blows in early March when the CEC hosted Japan's former Deputy Director of the Ministry of Finance and representative to the IMF, Daisuke Kotegawa, on a visit to Canberra.[1] Kotegawa shared the benefit of his years of experience dealing with banking crises to warn the Australian government of the dangers of derivatives gambling and that depositor bail-in of banks will be a disaster for the economy; he urged Australia to adopt a full Glass-Steagall separation of retail banks from investment banks to protect the economy.

However, Pearson had no interest in Kotegawa's advice. He brazenly acted as if the Australian banking system has no problems—no overexposure to the property market, no regulatory failings such as ASIC ignoring financial advice scandals, no derivatives risk. He made wild statements in defence of derivatives gambling, such as, "If you've ever bought an airline ticket on-line, you've bought a derivative."

Pearson's only interest was in blasting the CEC, for its campaign to expose the financial gambling that has taken hold of Australia's banking system, and to mobilise Australians to contact politicians about the plans for bail-in legislation in Australia, which the Financial Stability Board had reported to the G20 was "in train". He was angry, because he personally had had to respond to letters from MPs and constituents concerned about bail-in. Acting as if the 2008 derivatives meltdown that crashed the global economy hadn't happened, Pearson became very menacing and attacked the CEC for "frightening" Australians about derivatives speculation being a risk to the banks.

As then-chief economist to the Treasurer, Pearson worked in the office that sits at the apex of Australia's financial regulatory structure of Treasury, APRA, ASIC, and the Reserve Bank.

Now he's a lobbyist *for* the banks, as the ABA's executive director of industry policy. In a related move, the ABA has hired an officer of the notoriously-soft bank regulator ASIC (Australian Securities and Investments Commission), Aidan O'Shaughnessy, to join Pearson as policy director of industry policy.

The ABA shamelessly admits in the 2 September *Australian Financial Review* that it has hired the two to help the banks influence the setting of government policy. ABA chief executive Steve Munchenberg explained it is part of a new strategy which will include traditional lobbying, but "we want to play a more active role as an industry in setting the broader policy agenda around the industry as well."

Their move to the ABA coincides with the final stages of the Financial System Inquiry, which Pearson helped Hockey to establish under the chairmanship of banker David Murray. Little wonder then that a former ANZ Bank director John Dahlsen attacked the FSI's interim report as prepared "by bankers, on behalf of bankers, for bankers"—the same charge applies to the way the FSI itself was set up.

The CEC will continue to fight for Glass-Steagall to protect the people from gambling-addicted bankers, and a National Bank so that representative government, not private banks, is in charge of the financial system.

Fight with us!

Footnotes

1) http://cecaust.com.au/releases/2014_03_13_Kotegawa.html

Free copy of CEC's submission to Financial System Inquiry

The CEC's submission details the systemic risks confronting the Australian financial system, and explains why a full Glass-Steagall banking separation is the only solution.

It was submitted with four supporting documents:

- *Memo: The Great Australian Mortgage Bubble*
- *How safe is your super?*
- *Glass-Steagall Now!*
- *Commonwealth National Credit Bank Bill*

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