Citizens Electoral Council of Australia

Postal Address: PO Box 376, Coburg Vic 3058
Phone: 1800 636 432 Fax: 03 9354 0166
Home Page: www.cecaust.com.au **Email:** cec@cecaust.com.au

Authorised by R. Barwick, 595 Sydney Road, Coburg, Victoria 3058. Printed by Citizens Media Group Pty Ltd., 595 Sydney Road, Coburg, Victoria 3058.

Independent Political Party

8 January 2015

New debt crisis set to detonate—Glass-Steagall needed now!

World markets are being swept by the foreshocks of a looming crash of unpayable debts, originating in the Eurozone, the collapsing oil price, and plunging bank stocks across Europe and the United States.

When it became clear last month that Greece was going to a 25 January election over renegotiating its debt, *EIR* Founding Editor Lyndon LaRouche warned that the new debt crisis would not start after the election, but immediately in early January: the prospect of a debt restructuring, and possible Euro-exit, being enacted by a new Greek government could itself be enough to spark a panic. Claims from German government sources and various think tanks that Europe could survive Greece leaving the euro system, and that it would not have "systemic" effects, are laughable.

The collapse of world oil prices, set off by joint Anglo-Saudi action to attack Russia—which is dependent on income from oil—threatens the world's largest banks as well, mired as they are in commodities speculation. Citigroup, JPMorgan Chase, Morgan Stanley, and Goldman Sachs are the most exposed to oil/gas sector debt—which has been ballooning by an average $100 billion in net new debt per year for a decade—and to $20 trillion in risky commodity derivatives exposure.

Take Citigroup, for example: its global revenue from commodities speculation went from $215 million in 2013 to $485 million in 2014 (now turning into big losses on oil derivatives, and a potential $1 billion loss on metals speculation through Hong Kong). During the last two months of 2014 Citigroup bought the entire commodities trading operations of both Deutsche Bank and Credit Suisse, and its derivatives exposure increased by an astonishing $9 trillion in the third quarter of 2014 alone, making it the Wall Street bank most exposed to derivatives, to the tune of $70.5 trillion.

All this is the end phase of the decades-long build-up of a $1 quadrillion-plus speculative bubble, parasitically inflated at the expense of productive investment, which began self-destructing in 2007-08 with the GFC. The unprecedented money-printing binge known as Quantitative Easing (QE), intended to alleviate the crisis, only made it worse: the bulk of the funds further inflated the speculative bubble and virtually none went to the real economy; in fact bank lending declined, while the debts of the world's largest banks grew by around 40 percent.

Now, calls for still more QE have been met by warnings that it may just make matters worse. Even establishment mouthpiece Ambrose Evans-Pritchard warned in the 2 January *Daily Telegraph* that it may be too late for QE, noting that Italy, Spain, and Portugal this last week saw yields on five year bonds fall to between 0.13 and 0.32 percent, and German state bonds were selling at negative rates. "Nothing like this has been seen in European history since the 14th century, after the depletion of silver mines set off a slow monetary contraction, followed by Edward III's default on debts to Italian banks and the Black Death soon after, compounding a deflationary collapse."

Wall Street prepares

Seeing signs that the bubble would soon detonate, in mid-December Citigroup, JPMorgan Chase and the other apex predators of Wall Street got their paid hacks in the US Congress to repeal a banking regulation (the one useful part of the Dodd-Frank Act) that forbade banks which hold government-insured deposits from gambling in derivatives. Under pressure from both President Obama and big bank CEOs, Congress agreed to a "poison pill" slipped into a government funding bill, to make it legal for the big banks to put their exposure to commodities derivatives and OTC credit derivatives into their commercial bank units that hold deposits. There, this exposure to $20-25 trillion of the riskiest derivatives around would enjoy US government insurance when it implodes—another taxpayer bailout.

Clearly, restoring full Glass-Steagall regulations is the only plausible solution. Glass-Steagall bans banks from holding both commercial and speculative instruments under the same roof, forcing them to deal in only one or the other, and only providing government protection for commercial (deposit-taking) banks. Such legislation is required now, *ahead* of the oncoming debt crisis, in order to prevent massive losses to average householders, on a much bigger scale than the GFC.

Join the CEC to force the Australian parliament to pass Glass-Steagall!

- Join CEC as a member
- Sign our online petition to the Parliament http://cecaust.com.au/Glass-Steagall/

GET A FREE PACK

For a a free copy of the CEC's brand new pamphlet, Glass-Steagall NOW!, which includes a detailed exposé of the criminal fraud inherent in the derivatives trade that all of Australia's major banks are heavily involved in, call toll-free **1800 636 432**, or send this coupon to:

CEC, PO Box 376, Coburg, Victoria, 3058.

Please leave all the required details.

Name:

Address:

Phone:

Email:

JOIN OUR EMAIL LIST AT www.cecaust.com.au

Australia Urgently Needs a *Glass-Steagall* Separation of Banks

Citizens Electoral Council Petition to Federal Parliament

TO THE HONOURABLE THE SPEAKER AND MEMBERS OF THE HOUSE OF REPRESENTATIVES

This petition of the Citizens Electoral Council of Australia draws to the attention of the House the threat facing Australia's banking system from the deepening global financial crisis, which puts at serious risk the bank deposits of the Australian people, and essential banking services for the real economy.

Australia is now vulnerable because our banking system is concentrated in just four banks, which between them hold the overwhelming majority of deposits and provide the majority of banking services, but which have dangerously exposed themselves to shocks in the global financial system, including through nearly $20 trillion in derivatives speculation.

We therefore ask the House to take immediate action to protect deposits and essential commercial banking services, by enacting strict banking separation as did U.S. President Franklin Roosevelt's Glass-Steagall Act 1933. Glass-Steagall split deposit-taking, standard commercial banks from Wall Street's speculative investment banks, creating entirely separate entities under different roofs, thus successfully protecting the U.S. banking system until Glass-Steagall's repeal in 1999. We ask the House to apply the Glass-Steagall principle to Australia through legislation to divide each of the four major banks into two parts: 1) normal commercial banks as per Glass-Steagall standards, and 2) institutions involved in investment banking and other forms of speculation. Banks that speculate will then do so with their own money and at their own peril, with no government protection whatsoever.

Name	Signature	City/Town/State*	Phone*	Email*
1.				
2.				
3.				
4.				

Please post back to CEC Australia, PO Box 376 COBURG VIC 3058

*Voluntary information