

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

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Escalate Operation Glass-Steagall— make the banks scream!

The looming Lehman-style global financial crisis of which Japanese Prime Minister Shinzo Abe warned the recent Japan G7 Summit¹ means that now is the moment for Glass-Steagall—a full separation of investment and retail banking practices. More than half way through the federal election campaign it is clear that the CEC's Operation Glass-Steagall², to force politicians to acknowledge the urgent necessity of this issue, is having a major impact. Political parties keen to win more votes are moving in the Glass-Steagall direction, while the bankers that Glass-Steagall will cut off from using deposits to fund their derivatives gambling addiction are howling in anger.

However, a leading economist recently observed that if the banks are *not* screaming as a result of the regulations put on them, there is a problem. If it doesn't hurt, it does not do the job! Italian economist and author Luigi Zingales, now based at the University of Chicago, made that assertion at a 16 May forum on "Ending Too Big To Fail" held by the Minneapolis Federal Reserve, speaking on the subject "Why I changed my mind on Glass-Steagall"³. The head of the Minneapolis Fed, Neel Kashkari, is a key figure in the push for Glass-Steagall in the USA, which has widespread support and is at the centre of the US political debate, as it is in the UK, and as it must become here.

On 31 May the Greens released a package of financial policies, endorsing a royal commission into Australia's financial system. Greens spokesperson for finance, Senator Peter Whish-Wilson, stated that the "vertically integrated" model of banking must be investigated, stressing the need for "clear recommendations on how the banks could be regulated such that they would have to divest their insurance and financial advice arms".

Vertical integration is a technical way of saying Too Big To Fail—that Australia's Big Four banks are conglomerates of retail banking, investment banking, insurance, stockbroking and funds management. A full Glass-Steagall regulatory framework, as operated successfully in the USA from 1933 to 1999, would by law separate deposit-taking retail banks from all other financial activities.

The Greens are calling for a royal commission to look at "breaking up the banks" to separate retail banking from financial advice and investment banking". In April, with the election looming, ALP leader Bill Shorten also called for a royal commission, but point-blank ruled out a Glass-Steagall banking separation when quizzed by CEC supporter on 3 April⁴, declaring "We're not going to introduce the Glass-Steagall law".

Nevertheless, the reaction of the banking establishment to

these modest noises by the Greens and Labor, betrays the hysteria behind the scenes at the growing support for Glass-Steagall.

The Australian of 1 June reported that former NAB Chairman Michael Chaney slammed the idea of a royal commission as "completely ridiculous" and a "complete waste of money" because, Chaney claimed, our banks are already the most regulated entities in the country. Chaney effectively blamed the royal commission proposal on democracy—politicians needing to win votes—calling it "a perfect example of the unfortunate populism that characterises election campaigns now".

The clearly panicked Australian Bankers' Association also attacked the proposal, saying the ALP "needs to specifically rule out following the Greens' proposal to break up or restructure the major banks", warning that it would trigger an economic downturn. The ABA is managed by ex-bankers including Executive Director Tony Pearson, who as Treasurer Joe Hockey's chief economist, in March 2014 blasted the CEC's campaign to stop planned "bail-in" legislation (which confiscates deposits to save Too Big To Fail banks) and force parliament to legislate Glass-Steagall instead. In a meeting with the CEC and Japan's former Deputy Director of the Ministry of Finance and representative to the IMF, Daisuke Kotegawa, whom the CEC brought to Australia to explain to MPs the importance of Glass-Steagall, Pearson attacked the CEC for "frightening" Australians about derivatives speculation being a risk to the banks.⁵

What you can do

Raise Glass-Steagall in every possible forum during the remaining weeks of the election campaign—at candidates' forums, media opportunities, and any other public interactions. You should also personally contact all candidates standing in your electorate: ask them if they are aware of the warnings of another Lehman-style collapse, and whether they support Glass-Steagall to protect Australian bank depositors and the Australian economy. Let us know how they respond.

Call 1800 636 432

or go online:

http://cecaust.com.au/main.asp?id=free_intro_pack.html

to order **free copies** of the election edition of the *New Citizen* and our **election flyer** to distribute.

Notes and references

- 1 <http://www.bloomberg.com/news/articles/2016-05-26/abe-warns-g-7-leaders-of-risk-of-lehman-scale-economic-crisis>
- 2 <http://cecaust.com.au/main.asp?sub=bail-in&id=operation-glass-steagall.html>
- 3 <https://www.youtube.com/watch?v=OR7VljQQBOc>
- 4 http://cecaust.com.au/main.asp?sub=media&id=/video/20160513_cec_wr.htm
- 5 http://cecaust.com.au/releases/2014_09_03_Standover_Banker.html



TELL YOUR MP to separate commercial & investment banking NOW!

SEPARATE LEGITIMATE COMMERCIAL BANKING FUNCTIONS
from SPECULATIVE 'INVESTMENT' FUNCTIONS



Under Glass-Steagall standards, all banking institutions are forced to choose between either commercial or investment banking.

Productive functions of banks are federally protected and insured, while other worthless, speculative activities are left out to dry.



DERIVATIVES
EXOTIC INSTRUMENTS
MBS's and CDO's
CARBON SWAPS

INFRASTRUCTURE
LOANS TO SM. BUSINESS
MORTGAGES
PENSIONS



**SPECULATIVE ACTIVITY
IS THROWN OUT**

while

**COMMERCIAL & DEPOSIT
BANKING IS PROTECTED**



Australian Government
The Treasury

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