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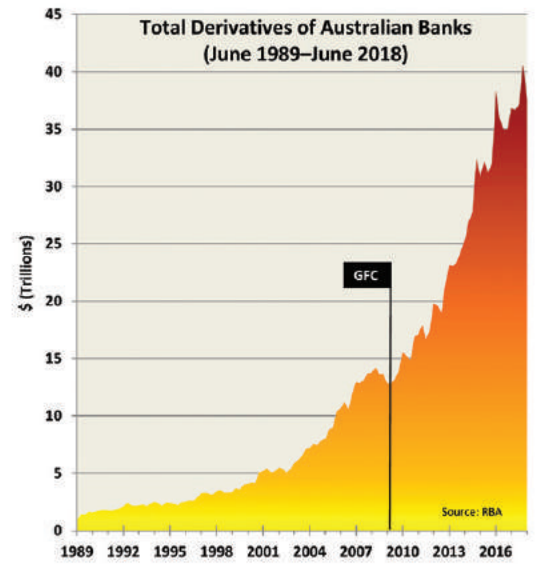
The five-point program for Australia to survive the new global crash

1. **Glass-Steagall banking separation**
2. **A national bank**
3. **Immediate moratorium on home and farm foreclosures**
4. **Nation-building infrastructure and science-driver projects to revive the productive economy**
5. **International cooperation for a new financial architecture and world economic development**



Bank exposure to derivatives, the gambling instruments that sparked the GFC, has soared since 2008.

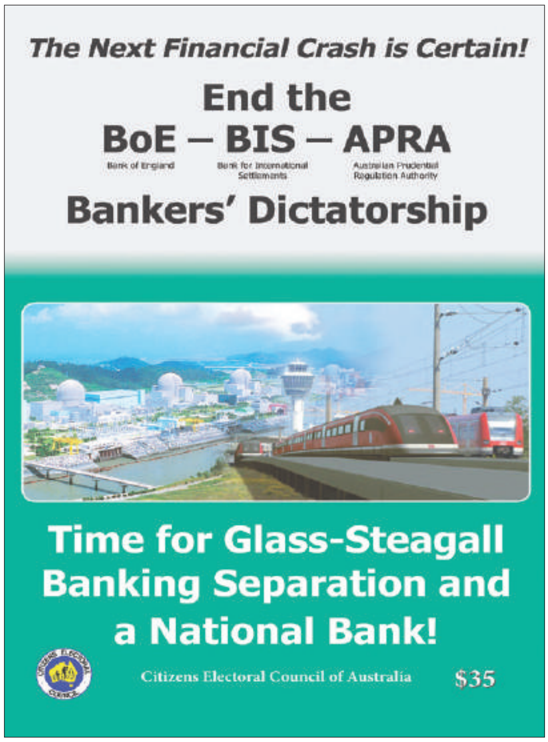
Act now, before the next crisis hits full-force

We conclude collapsing mortgage-lending standards and the mortgage securitisation pipeline lit and spread the flame of contagion and crisis…. The greatest tragedy would be to accept the refrain that no one could have foreseen this coming and thus nothing could be done. If we accept this notion, it will happen again. (Emphasis in original.)

US Financial Crisis Inquiry Report, February 2011

This was the warning issued in 2011 by the Financial Crisis Inquiry Commission (FCIC), the group mandated by the US Congress to study the reasons for the 2008 Global Financial Crisis (GFC) and how to prevent a new one. Australia today, along with the rest of the world, is staring at that next GFC, which could erupt at any moment. The cause of this looming threat is that the City of London and its junior partner Wall Street ignored the FCIC, and issued their own orders to the UK, USA and other governments following the 2008 GFC: to pump vast flows of money (quantitative easing, or QE) into the world's "too-big-to-fail" (TBTF) banks, and cut interest rates to record lows, allowing almost unlimited borrowing of ultra-cheap money. Instead of one main bubble, as in the subprime mortgage market of 2008,QE has now created unprecedented bubbles in many areas: total global debt of US$247 trillion (318 per cent of world GDP), including global nonfinancial corporate debt of almost US$70 trillion (over 90 per cent of world GDP); the super-inflated US stock market; auto, student, payday and other consumer loans; and even Australia's housing market.

Not only will Australia not escape the next crisis, but *we might even trigger it*. Fuelled by the Reserve Bank of Australia and the Australian Prudential Regulation Authority (APRA), whose combination of ultra-low interest rates and regulatory incentives created the current housing bubble, our major banks, led by the Big Four and Macquarie, now hold a staggering $1.7 trillion in total mortgage debt, which constitutes almost *two-thirds of their total assets*. That is not only a carbon copy of the subprime mortgage crisis that caused the GFC as documented by the US FCIC, but it is *double* the proportion of mortgage debt held by US banks in 2008, and is by far the worst such exposure in the world. Because of it, our households are strangled by debts equal to 190 per cent of their annual income—again, the highest such level in the world. Over 1 million out of our total 2.3 million owner-occupied homes are already in mortgage stress, and defaults have started. These mounting defaults, combined with the fact that some 40 per cent of the funds our major banks poured into the mortgage bubble was borrowed money (many of which loans must be rolled over every 90 days in the face of rising interest rates), have put the banks themselves on the verge of collapse. Furthermore, our major banks hold more than $40 trillion in highly volatile derivatives contracts, *most of them tied directly*



The CEC's 100-page manual on national banking lays bare the top-down nature of the Crown/City of London-centred "informal financial empire", whose looting and speculation caused the 2008 GFC, and are driving the inevitable new crash. It details that oligarchy's control over Australia's financial sector, beginning with the Reserve Bank and down through APRA and the alphabet soup of "regulators", which have created the worst mortgage bubble in the world.

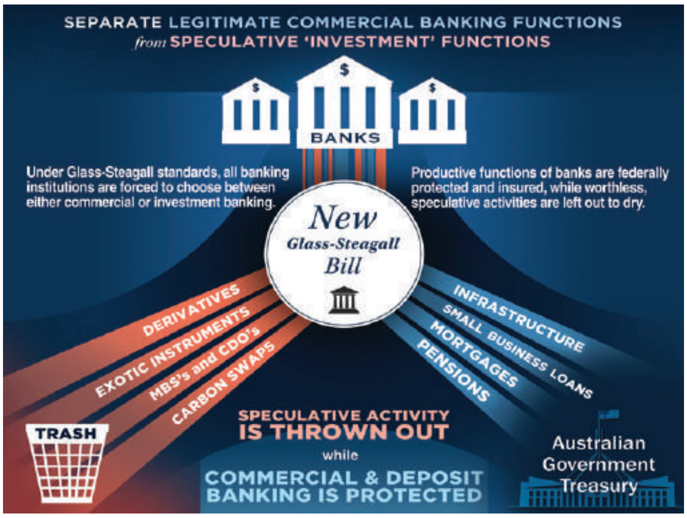
or indirectly to the mortgage market, as against "only" $14 trillion in derivatives holdings in 2008, and most of the counterparties to these contracts are international banks. Therefore the bomb already ticking in Australia's banks, caused by the accelerating housing crash, could set off a worldwide chain reaction, sparking the new GFC.

Knowing that the next crisis was inevitable and would be even worse than that of 2008, the City of London and Wall Street used the Swiss-based Bank for International Settlements (BIS, the "central bank of world central banks") and its Financial Stability Board (FSB), headed by a succession of former executives of Wall Street mega-bank Goldman Sachs, to force the UK, the EU, the USA, and many other nations, including Australia, to adopt their new policy of "bail-in", to enable the seizure of customer deposits and other forms of savings to prop up the banks in a future crisis. Instead of "the poor taxpayers having to bail out the banks once again", they argued, the "bail-in" regime would shift much of the burden of saving the TBTF banks to depositors—who of course are none other than the very "taxpayers" these sophists claim to be protecting! Under Prime Minister Malcolm Turnbull, a veteran of Goldman Sachs, and under a cloak of secrecy, until the Citizens Electoral Council exposed it, bail-in legislation was pushed through Australia's Parliament in February 2018 as the *Financial Sector Legislation Amendment (Crisis Resolution Powers and Other Measures) Act 2018*.

Banks must not be allowed to dictate the government's response to the next crisis! Australia needs policies that defend the common good, and can be implemented *before* the inevitable crisis explodes, to protect the public and their savings, and basic economic functions, from the murderous chaos of a financial collapse. The choice is not between the Scylla of "bail-out"/"bail-in"—enforced by ever expanding police-state measures—and the Charybdis of a global crash. There is a third way, which the Citizens Electoral Council outlines in the following five-point program. Implementation of these measures will ensure that Australia survives the already unfolding new GFC. Every one of the five points is deeply rooted in the history of Australia, during those eras when our political class acted in defence of the Common Good, instead of as whores for the City of London and Wall Street, which the "old Labor" leaders of our nation excoriated as the "Money Power".

1. Glass-Steagall banking separation

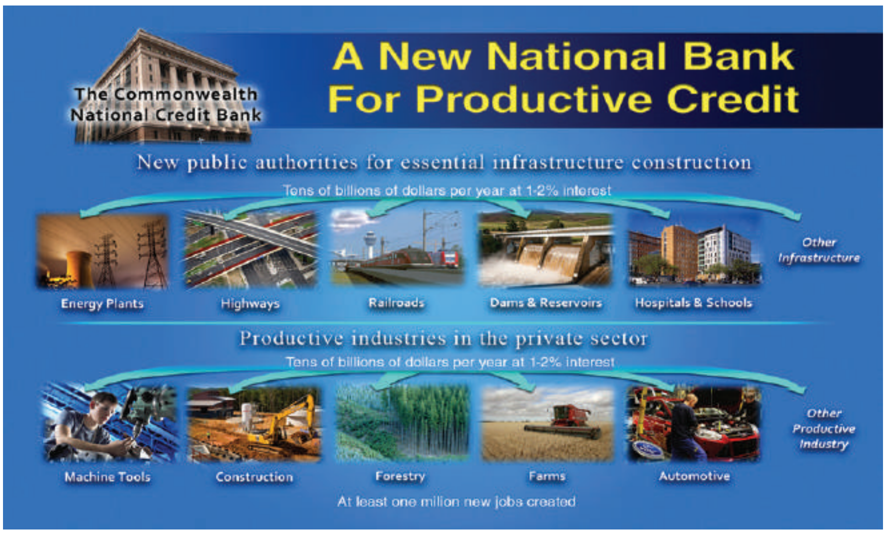
The most urgent policy that must be implemented ahead of the crash is structural separation of the banking system, dividing commercial banks with deposits from investment banking and all other financial services. The original U.S. *Glass-Steagall Act* (named for its co-sponsors, Senator Carter Glass and Representative Henry Steagall) was enacted in 1933 in response to the Great Depression, and protected the American banking system from systemic financial crises for the next 66 years until its ill-fated repeal in 1999. Although Australia never had formal Glass-Steagall legislation, we did maintain a highly regulated financial system to the same effect: protecting and fostering the physical economy. That system was destroyed by the waves of deregulation unleashed by the 1981 Campbell Report, which allowed the present concentration of the financial system in the "Big Four" TBTF banks plus Macquarie, and the mixing of normal commercial banking with speculation-ridden investment banking.



The CEC drafted the Banking System Reform (Separation of Banks) Bill 2018, which Bob Katter MP introduced in Parliament in June 2018. The bill adapts Glass-Steagall for the Australian banking system: it forbids the banks from engaging in investment-banking activities such as trading in securities and derivatives, and ends the vertical integration that has enabled the banks to fleece their customers. It brings the bank regulator APRA (Australian Prudential Regulation Authority) under strict Parliamentary control, and stops APRA from coordinating with the BIS to bail in deposits. While Glass-Steagall doesn't immediately solve all of the problems in the banking system—for instance, the $1.7 trillion in largely unpayable mortgage debt—the structural separation Glass-Steagall imposes will provide a stable framework within which such problems can be addressed, through the indispensable institution of a new national bank.

2. A national bank

To avert a banking crisis from becoming a full-blown economic depression, in which credit stops flowing to the businesses and industries that provide jobs and income, the national government must not wait for the private banks to recover, but must intervene to direct credit into the physical economy and such vital services as health care, science, and education, by creating our own national bank. Australia's



original Commonwealth Bank was a brilliant example of such a national bank, especially in its first decade from 1911 to 1921, and again in 1943-49; during the Great Depression the private banking cartel's actions, to stop it from being used fully, deepened and prolonged the depression.

The CEC is now refining legislation to establish a Commonwealth National Credit Bank (CNCB), which can extend credit to the government for investment in public infrastructure projects that will reindustrialise Australia and create jobs; and for credit assistance to family farmers, manufacturing entrepreneurs and small businesses, who just need a fair go but have been starved of credit by the private banks. The CNCB will also regulate the private banks, guarantee the deposits of the commercial banks (as opposed to the speculative investment banks), conduct an in-depth, honest audit of all Australian banks—which neither APRA nor anyone else has done at present—and reorganise and save any which are not hopelessly bankrupt. It will help to save Australians' retirement savings locked up in superannuation funds, which as things now stand will be at risk in a crash. Superannuation funds will be able to invest in debentures (special bonds) issued by the national bank for a guaranteed return, thereby investing in Australia's economic future.

3. An immediate moratorium on home and farm foreclosures

A housing bubble crash raises the spectre of a social catastrophe in which tens or even hundreds of thousands of people lose their homes. This has already started for some households, while the bad banking practices exposed at the banking Royal Commission have led to a wave of farm foreclosures across Australia. The government must avert the social chaos of mass homelessness by declaring an immediate moratorium on all home and family farm foreclosures while the banking crisis is sorted out.

There is historical precedent for this action. In the emergency caused by World War I, Australia's federal government passed the *War Precautions Act 1916* and its Commonwealth Moratorium Regulations, to stop foreclosures until 1920. In part modelled upon that precedent, every state in Australia enacted legislation during the Great Depression to stop home and farm foreclosures, including Western Australia's *Tenants, Purchasers, and Mortgagors' Relief Act 1930*; Queensland's *Purchasers of Homes Relief Act 1930*; Victoria's *Unemployed Occupiers and Farmers Relief Act 1931* and *Financial Emergency Act 1932*; and, the most effective of them all, Jack Lang's New South Wales *Moratorium Act* of 19 December 1930, which, as amended, ultimately stopped all foreclosures until 1937. The intent of all of this legislation was to protect the common good, as summed up in the paper, "Moratorium Legislation", read into Hansard on 15 November 1935: "It was not expedient in the national interest that the welfare and comfort of the community should be unnecessarily imperilled by allowing debtors to be crushed out of existence…." All parties agreed, conservative as well as Labor.

"Old Labor" NSW Premier Jack Lang (1925-27, 1930-32) enacted a moratorium on home foreclosures, along with other policies for the Common Good. That's why the King's NSW Governor Sir Philip Game sacked him in 1932.

In the United States, President Franklin Roosevelt in April 1933 introduced legislation to stop home and farm foreclosures, declaring it "national policy … that the broad interests of the Nation require that special safeguards should be thrown around home ownership as a guarantee of social and economic stability". One month earlier, he had declared a Bank Holiday to allow reorganisation of the nation's failing banks under Federal protection. The contrast to the neoliberal ideology of modern times is stark: in the 2008 crash and recession, the Wall Street banks that caused the crisis were bailed out and the bankers kept their bonuses, while 5.5 million American households, some 12 million people, lost their homes.

4. Nation-building infrastructure and science-driver projects to revive the productive economy

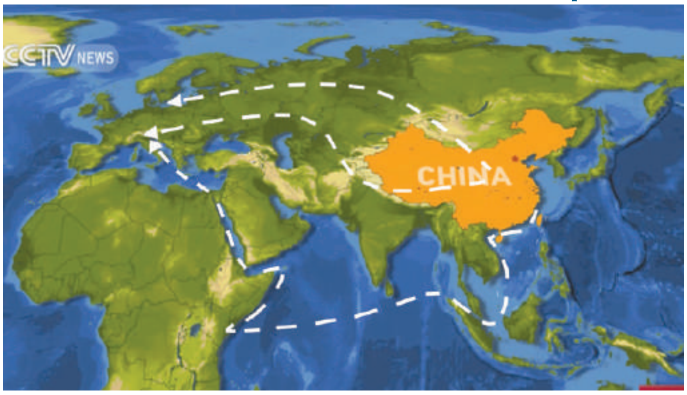
Using credit from a national bank, the government must invest in long overdue, large-scale infrastructure projects that can revolutionise the economy, revive productive industries and regional population centres, and provide gainful employment for hundreds of thousands or even millions of Australians. Drought-proofing projects, such as the Bradfield and Reid schemes in North Queensland, the Clarence River scheme in NSW, and Ord River 2 in Western Australia, will multiply Australia's agricultural production capacity. We must also build a network of high-speed trains to connect our major cities and regional population centres, including a Melbourne-to-Darwin fast freight railway. Combined with port upgrades and high-speed shipping, the latter will enable fresh Australian produce and manufactured goods to be freighted quickly and cheaply into the enormous Asian markets to the north, and boost regional centres along the route such as Shepparton, Dubbo, and Mt Isa. The government should also invest in science-driver projects that develop and incorporate new technologies into the economy, including a nuclear power grid that takes advantage of Australia's unrivalled reserves of uranium and thorium, and a space program as a focus for cutting-edge scientific research—an area in which Australia was once a world leader.

5. International cooperation for a new financial architecture and world economic development

As the crisis is global, not local, Australia should join efforts to convene a New Bretton Woods conference at which nations can agree on policies that replace the present speculation-riddled and bankrupt global financial system, with a new international financial architecture that fosters production and real economic development. The original 1944 Bretton Woods agreement, into which Australia's Labor government brought this nation, established a regulated system of fixed exchange rates pegged to gold, along with capital controls. This arrangement was a check on unbridled financial speculation, and produced soaring productivity growth in the post-WWII period, until it was intentionally undermined by the unregulated Eurodollar market created by the City of London for speculation and tax evasion. Thus undercut, the Bretton Woods system collapsed in 1971. World banking and political leaders then unleashed the "global casino" financial system of today, with floating exchange rates and an "anything goes" attitude towards financial speculation. Whereas under the original Bretton Woods agreements, up until 1970 approximately 75 per cent of global currency trades were tied to physical goods, today that figure is less than 2 per cent, with more than US$5 trillion in foreign exchange speculation taking place internationally every day.

Australia should also cooperate with nations committed to economic development by accepting China's invitation to join its Belt and Road Initiative (BRI), which 90 other nations have joined so far. The BRI's worldwide system of upgraded ports and high-speed rail infrastructure perfectly complements the infrastructure Australia should build to expedite trade with Asia, and Australia could both contribute and acquire advanced skills in construction and production.

The anti-China hysteria propagated by the world's major media and the Anglo-American "Five Eyes" intelligence alliance is just a transparent replay of the racist "Yellow Peril" scare run by the British Empire in the 1890s—saying that hordes of Chinese were about to overrun our defenceless continent. Then, many in Australia were seriously debating breaking with the City of London-centred British Empire and becoming a republic. Today, many are once again debating whether to stick with our war-mongering "Dangerous Allies", as our late Prime Minister Malcolm Fraser so insightfully termed them, or to join the "win-win" prospect of Xi Jinping's BRI. After all, China has lifted 800 million of its population out of poverty in the past several decades, and plans to eradicate poverty entirely by 2020 through a government-directed program of physical economic growth. Typical is China's 25,000-km high-speed train network, its building of the world's largest water projects, including the Three Gorges Dam and the South-North Water Transfer Project, its cutting-edge nuclear power and space programs, and now its Belt and Road project, which is bringing the continent of Africa, among other places, out of the hideous legacy of European colonialism. The only reason the world has not suffered a new GFC already, is that China has pumped more than US$20 trillion into the world's physical economy since 2008, including $1 trillion in purchases of Australian physical goods. This physical economic growth was enabled by China's reforming its financial system in 1993 on the explicit model of Glass-Steagall, as leading Chinese economists have emphasised, and by its system of state banks which direct credit to areas the government deems of vital national importance.



In 2013 Chinese President Xi Jinping announced his program for the new Silk Road Economic Belt (top two broken white lines) and the 21st Century Maritime Silk Road (lower broken line). Together the infrastructure and development projects, which include Chinese financing for projects in the cooperating countries, are called the Belt and Road Initiative (BRI), in which 90 nations are now participating—but not Australia! Source: Screen grab, Chinese Central TV.

We once did such things as well, including the creation of one of the world's most advanced machine-tool industries almost overnight during World War II, and building such extraordinary water projects as the Snowy Mountains Scheme, one of the engineering wonders of the world, the now-decimated Murray-Darling Basin food bowl, and the advanced Tasmanian Hydroelectric Commission projects.

References

Over the last three decades, the CEC has issued countless articles, pamphlets, books and videos documenting each of the five points summarised above.

Visit www.cecaust.com.au/5pointprogram/ for links to this in-depth material.

What you can do

1. Download the CEC's bill for Glass-Steagall, take it to your MP, and demand that he or she act to implement it, as the indispensable first step of this five point program.
2. Order a copy of the CEC's *Time for Glass-Steagall Banking Separation and a National Bank!* manual and study it.
3. Watch the weekly *CEC Report*, and subscribe to the weekly *Australian Alert Service* to keep yourself up to date as this life-and-death fight unfolds.