

# A 'Lehman' moment looms



**The *Australian Alert Service* is the weekly publication of the Citizens Electoral Council of Australia.**

It will keep you updated of strategic events both in Australia, and worldwide, as well as the organising activities of the CEC.

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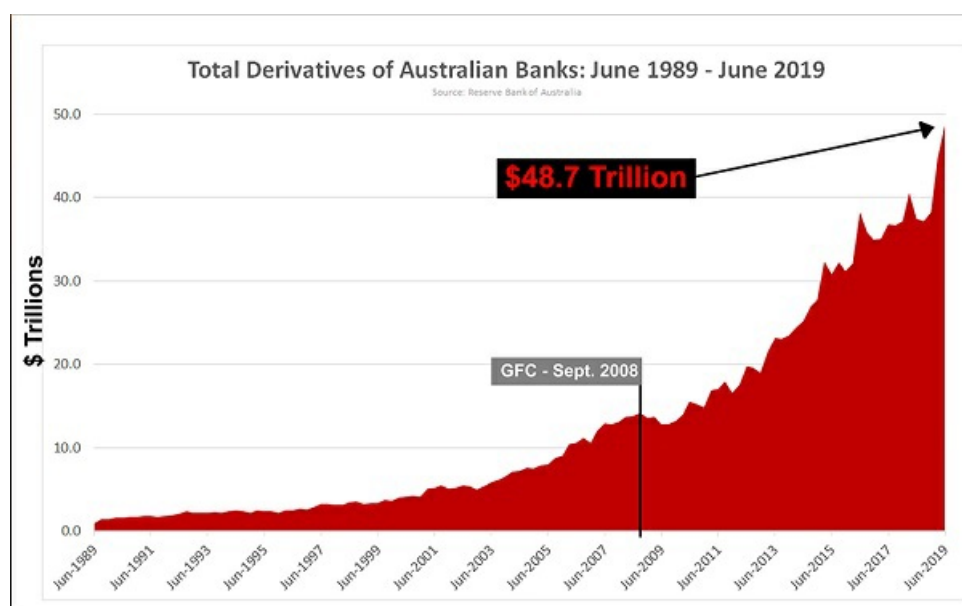
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In a world economy ravaged by 11 years of looting of the real economy to revive collapsing banks and asset bubbles, the potential scale of a new global financial crisis is almost inconceivable. But one thing is for sure: the methods proposed by the same financial establishment that fudged the response to the last crisis will not work. And the people will not stand for another massive transfer of wealth to the world's biggest financial institutions, hence the need for draconian controls and fascist rules to lock people into the system and prevent a rebellion.



Australian bank derivatives have suddenly soared by an unprecedented \$10 trillion in six months (five times the size of the entire Australian economy!), which should be seen as a sign of panic inside the banks.

The tool box of "solutions" for the new crisis is an epic failure. Bail-ins erode faith in banks, cash bans lead to preemptive runs, increasingly low or negative interest rates and quantitative easing fuel new bubbles. The Bank for International Settlements, European Central Bank (ECB), and countless experts are warning of the dangers of the mammoth volume of leveraged loans and the instruments which package and resell them, like those which triggered the last crash (p. 9). The British Economist Intelligence Unit has warned of potential bank failures in Europe if interest rates remain negative. That unscrupulous hedge funds will earn some US\$250 million collecting on insurance contracts that hedged against default from the bankruptcy of British travel company Thomas Cook, is another marker of how screwed up today's financial system is.

The intervention made by the US Federal Reserve last week—pumping over US\$200 billion into usually stable overnight lending markets—is expected to turn into a permanent new QE program. The Fed will continue, at least until 10 October, pumping in US\$75 billion daily and US\$30 billion in 14-day term loans as needed. As Pam Martens and Russ Martens wrote for [wallstreetonparade.com](http://wallstreetonparade.com), authorities claim the instability is explained by US end of financial year deadlines, but the question is, "how can four [of Wall Street's largest] banks with US\$5.45 trillion in deposits not be able to cough up US\$53 billion in overnight loans"? Given this is the first time the Fed has had to intervene in the "repo" market since the global financial crisis, speculation is rife that one or more financial institutions is in

trouble, on a par with the 2008 Lehman Brothers collapse.

In the first of the ECB's targeted longer-term refinancing operations (TLTRO), announced last week along with ongoing QE and another interest rate cut, banks did not take up the offer as expected, despite being paid (with negative rates) to do so! Banks, currently trying to clean up bad loans, do not have a large choice of healthy firms to lend to in the current economic environment.

The CEC has a thirty-year record of warning of these problems, from a standpoint of understanding the difference between the real, physical economy, and the speculative bubbles which feed upon it like a cancerous growth. We are uniquely on the record posing the solutions, such as Glass-Steagall bank separation to prevent banks gambling. In a discussion on ABC's *Insiders* on 22 September, journalist Shane Wright connected the government policy of threatening to break up large electricity companies with breaking up the banks, but ignorantly claimed that "we haven't seen anyone talking ... [about] breaking up the big banks". Yet the CEC has consistently done so, as more people are discovering from our role in the fight against the government's cash ban.

Crucially, last week we broke the consensus between the Liberal and Labor parties on economic policy, by forcing the Labor party to respond to the opposition to the Restrictions on the Use of Cash Bill 2019, pushing it into an extended parliamentary inquiry. This means the government cannot have the legislation enacted by January 2020 when it was scheduled to commence. The CEC has been named in Senate Selection of Bills documents among those likely to provide evidence in hearings. It's time to capitalise on our record.

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