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‘Does anyone seriously think that we are not sitting on the brink of disaster?’ — Bob Katter MP introduces Glass-Steagall solution in Australian Parliament

The federal Member for Kennedy Bob Katter on 25 June introduced a private member's bill into the Australian Parliament to protect the economy and bank customers from dangerous financial speculation and predatory banking.

The Banking System Reform (Separation of Banks) Bill 2018 is based on the USA's successful *Glass-Steagall Act*. It will separate Australia's commercial banks, which hold deposits, from risky investment banking, as well as other financial services that Australia's banks have acquired in recent decades, including insurance, superannuation, wealth management, and stock broking.

The ongoing Financial Services Royal Commission, which Bob Katter led the political fight to establish, has laid bare the predatory banking practices that the bill will end. The revelations from the royal commission have been so dramatic that it has attracted global attention, and kindled fear in the City of London that Australia's inquiry could lead to a renewed push to break up Britain's too-big-to-fail banks.

Katter excoriated Australian banking in a passionate speech introducing his bill. "The situation in Australia is ugly and it is evil", he said, "and this legislation is needed to overcome those problems and what effectively it says is—'Mr Banks you are no longer out there in the market, in the arena buying and selling. Your job is to loan to people that buy and sell, develop and invest. You don't do that, you judge them.'"

Aside from the conflicts of interests in banking, Katter's chief concern in moving Glass-Steagall is for the looming financial crisis



Bob Katter introduces Australian Glass-Steagall legislation into Parliament. Photo: Screenshot

arising from the banks' speculation in real estate and derivatives. He identified the reckless speculation threatening the financial system today was also the cause of the 1929 crash, which led to the passage of the *Glass-Steagall Act* in 1933.

"What we're talking about here is derivatives: when you don't buy a loaf of bread; you buy a contract to buy a loaf of bread", he said. "That is what we call a derivative.

"Glass-Steagall came in and it overcame the vast bulk of those problems so that the American economy ran fairly effectively, making it three, four, five times the size of any other economy on earth, until Mr Bill Clinton, 'Mr Free Markets' himself. ... In 1999, he abolished the *Glass-Steagall Act*. Within two years, the dot-com collapse occurred, taking down trillions of dollars of savings, superannuation and retirement moneys of Americans and the rest of the world, and in 2008, as we're all familiar with, came the GFC.

"Clearly, that timeline indicates the necessity for Glass-Steagall legislation in this place."

The most immediate danger for Australia, Katter emphasised, is from the bubble in the real estate market.

“The housing boom in Australia today—does anyone seriously think that we are not sitting on the brink of disaster?” he warned. “A quarter of Australia’s population, maybe a third, live in Newcastle, Sydney and Wollongong. The average price of a house is over \$800,000. That means that 50 per cent of the houses are over that value. Yet the average income for an Australian after tax is about 50 grand a year [\$50,000]. So how are they going to make the repayments on a house? And yet they’re buying houses. The banks are financing them. The banks make money when you go broke and they sell the house out from under you. They don’t lose money; they make money out of what has occurred. They should be held responsible.

“I would love to be in a business that is guaranteed by the government”, he continued. “If I buy a corner store and I know that, if I go broke, the government’s going to give me the money, everyone will be buying corner stores in Australia. They are given this, but there is no responsibility placed upon their shoulders to act in a prudential manner.”

Katter singled out the team of people responsible for organising the bill, including Robert Barwick, Dr Wilson Sy, and Bob Butler. Sy is the former principal researcher at bank regulator APRA (Australian Prudential Regulation Authority). Barwick and Butler are representatives of the Citizens Electoral Council, which has led a nine-year campaign to get Glass-Steagall legislation enacted in Australia.

It is significant that on the same day as Bob Katter introduced his bill, Australia’s biggest

bank CBA announced it was demerging from its wealth management businesses, as if to send the message that Glass-Steagall legislation is unnecessary because the banks are doing it voluntarily. On closer examination, however, CBA is not completely demerging from other services, and along with the other big banks it is continuing to speculate in dangerous derivatives and other forms of financial gambling. Only a strict Glass-Steagall law will end these practices, which is the intention of the Katter bill.

As a private member’s bill, Katter’s Separation of Banks Bill 2018 will only be debated if a majority of members of parliament agree to do so, which will require the support of one or the other major party. Ordinarily, the governing Liberal Party would be expected to protect the banks, but many Liberal politicians are shocked by the revelations of the royal commission and are concerned about a financial crash. And what about the Labor Party—will it block or delay Glass-Steagall the way it blocked the banking royal commission for six years, or return to its roots as champions of working people against the Money Power? It will be up to the Australian people to demand the major parties stop protecting the banks, and allow a debate and vote on Glass-Steagall.

What you can do

Now that the bill has been introduced in Parliament, tell your federal MP that they must support it. Download copies of the bill and explanatory memorandum to send to them, from <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;page=0;query=BillId%3Ar6136%20Reconstruct%3Abillhome>

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