

Submission to the Senate Committee on "Competition within the Australian banking sector"
by Terence Holmes, Eltham, Victoria

Dear honourable members of the Senate.

I hereby provide a submission for your consideration.

Firstly I would like to empathise with you, regarding your concern for upholding fair competition within our economy. Fair rules for competition provide consumers with real freedom in their dealings, and avoid some of the more obvious forms of exploitation.

So, if you volunteered to be on this committee, then well done!

If we were dealing with any ordinary commodity, and not with money itself¹, then I would be very keen to see that justice – in the form of fair competition – was served.

However, since it IS money we are dealing with, I have quite a different opinion.

Competition in this sector is tantamount to the buyer (or borrower in this case) selecting the lender who will exploit him the least; but nevertheless – he WILL be exploited!

Perhaps we should consider for a moment, the nature of money:

Money, is the medium (or token) we use for ensuring fair values of trade, between items (goods and services). Therefore, if the "measure" of value is variable within itself, then its appropriateness as a token for trade is somewhat reduced. But more importantly, it is also open to manipulation (especially by our banks and the stock market), and gives opportunity for exploitation at every transaction. Rather than our banks being the custodians of our wealth, they now perform acts of a more subtle exploitation upon an unsuspecting public, and an unsuspecting Nation (including the Government!). I think they used to call it 'coin clipping.'

Banks, who aggregately have the monopoly on credit, only issue money within the requirements of a loan. The interest portion which they expect in return, was never issued by them!² That portion of money has to come out of circulation! So we have a situation where not everyone can pay back their loans because there is not enough money in circulation for them all to do it. The results are many: Industries are forced into improving efficiency – not for an honourable reason such as saving the environment, or providing the best service, but for reasons of survival – so that they are relatively safe when the inevitable happens and someone has to 'go under'. This adds weight to the facade that in business, bigger is better, and this is one reason why so many small businesses go bust.

Another result is that we are always looking for a favourable balance of trade (more exports than imports). Again, not primarily for honourable reasons, but again for survival – so that we may inject more money into the economy to make up for the shortfall (which is perpetually being driven by the interest charging of the banks!). Another, and perhaps the most destructive result is that we borrow more and more.³

1 I cannot bring myself to call money a commodity! This false definition merely contributes to our problems.

2 Some may consider 'interest out on deposits' compared to 'interest in on loans', but the scale is incomparable!

3 This is undeniably evident in the scale and trend of the public debt figures.

Its ironic that the Reserve Bank's only weapon against run-away inflation, is to raise or lower the very fuel of that inflation, such that they regulate the discouragement of the development and the livelihood of the economy they are trying to protect! The target is to expand carefully; but under the current economic system, expansion is not an option, it is a requirement! This is one of the root causes of the global financial crisis.

In light of all this, I propose that Section 51 of the Constitution be adhered to in regard to the government's responsibility concerning the issue of money. That is, the official interest rate be regulated and enforced by government legislation (0% is the obvious target) instead of relinquishing this opportunity to the banks who have profit as their main goal, not the well-being of the Australian public.

Cynically speaking, the well-being of the Australian public IS of importance to the banks, but only so that they can maintain the source of their 'bounty'.

We do indeed, have a desperate need to look at the banks, but if we focus on their competitiveness, then I think we are asking the wrong questions! Be wary, they like your focus and may even be compliant - because it misses the real issue. It'll make everyone appear in a good light - The Government will seem to have success in holding one over on the banks, and the banks will seem to be compliant, and even altruistic towards the people of Australia! ... More clouds and mirrors.

I think the best thing that this inquiry could do, is to elevate the issue to a more broader inquiry - perhaps a Royal Commission into the fundamentals of finance. Remember, the financial system is a man-made device. The evidence is in - look at the GFC - the system needs fundamental changes.

A few recommendations:

Short term (making the best of a bad situation, stop the rot)

- 1) Take up your Constitutional right, and legislate a National, lower fixed interest rate.^{4 5 6}
- 2) Force the banks to comply and reset all loans to the National Interest Rate.^{7 8}

Long term

Set up a broader inquiry into financial / economic systems, check our history!

Further Reading:

AMOS, D.J. ; "The Story of the Commonwealth Bank". (1986, Veritas)

COOGAN, Gertrude M.; "Money Creators". (1935, Omni Publications)

DOUGLAS, Clifford Hugh; "The Monopoly of Credit", 4th Ed.(1931, ?)

EVEN, Louis ; "The Money Myth Exploded", (Michael Journal, Canada)

MALAN, J.D.; "Natural Cost and the Ownership of Money" (?)

MONAHAN, Bryan W.; "An Introduction to Social Credit", Rev. Ed.(1967, Tidal Publications)

anonymous, ; "The Money Trick", (2004, Veritas)

4 Based upon the value of goods and services and the growth that Australia requires (if growth is your wish)

5 Remember, the biggest contributor to inflation is the interest rate itself!

6 Let banks offer services in a more traditional manner for differentiation and competitiveness

7 This can be done in a number of ways, by law, by incentives, or by sanctions.

8 Don't worry - all other bonafide competition in the markets will remain (and even benefit)