



We The People

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We the People Chook Raffle Banking

Good day to you. I love to reminisce about Australian maxims which were used so descriptively. There was always a unique expression to explain what people thought. This is why I refer to the wisdom of the 'drovers dog' as the bench mark of common sense or about the ubiquitous chook raffle held at every serious pub. The chook raffle was our staple social diet to raise money for a worthy cause. Running a chook raffle was easy and so came the ultimate insult when you wanted to explain the limitations of someone by saying they, "couldn't run a chook raffle in a country pub". Today we have a banking system so complex, so strange and so corrupt it is run without a moral compass by people who really "couldn't run a chook raffle at a bingo night".

During the Great Depression in 1933 the Americans brought in the Banking Reform Bill which separated the banking system into two parts and was designed to help stabilise the banks. In 1933, 4000 banks failed with a final total of 9000 going under. When people talk about banking, they're talking about two broad classes of activities. Commercial banking is what happens at your neighbourhood branch. You deposit money in a savings account and the bank uses those deposits to make loans to consumers or small businesses. Investment banking refers to the kind of banking activity more common on Wall Street, like helping large companies issue stock or bonds in order to fund themselves and trading securities in hope of making a profit and other dubious products like derivatives, which are akin to gambling. This law was repealed 16 years ago because the US banks didn't like it yet in my view we need this separation in Australia in these uncertain times. It's called the Glass-Steagall legislation.

Now let's look at a phenomenon called 'Opt In. Unlike 'Opt Out' where a third party invests to stabilise a bank or business, 'Opt In' is sinister in a banking sense as this is where a bank is in trouble and the losses incurred are paid for by **depositors' funds**. This means you and I lose our money to prop up the bank just as happened with the Bank of Cyprus in 2013 where depositors stumped up about 4 billion Euros without choice and lost it for good. **I call it theft**. If banks collapse because they can't meet depositors withdrawals, there is a run on the bank and the system melts down financially. **Well that couldn't happen here in Australia could it?** Well it depends on how bad the problem is and its plain mathematics in the end. You say the government protects and guarantees our money and that was true in the GFC but only to a limited amount. If the major banks fail then the government probably won't have enough money either and remember the government's money is actually the citizens' money anyway. I find it interesting that the 'Opt In' option is gaining acceptance around the world as a principle and in my view the Australian government are nervous even being asked about it. I couldn't find a definitive reference to it but I also couldn't find a statement rejecting it. When I read about banks and try to find out precisely what the situation is I am met with kilometres of fine print and banking babble and I suspect somewhere in there they can, under certain circumstances, steal my modest savings even in Australia.

Now finally, I recently reported on the level of mortgage debt in Australia and the overheated real estate market. Economic experts like Professor Steve Keen believe the environment is timely to expect a significant collapse in real estate and as of the third quarter of 2015, we now have the world's most indebted household sector relative to GDP, according to LF Economics. With mountains of debt and a troubled world and significant Australian federal debt we are in a very vulnerable position in my view. Listeners, as I said, I defer to the 'drovers dog rule of common sense' and I have arrived at the conclusion that the bankers and the government couldn't run a chook raffle at a garage sale. Be very careful in the next few years my friends and reduce your debt levels and don't trust politicians or bankers.

Until next time this is Kent Bayley

The program "We The People" is broadcast on radio 4CRB 89.3 weekly and on line and posted at www.goldcoastsentinel.com.au