

Dear Sirs,

11 th August 2014

You asked for submissions from the public in respect of the banking and finance enquiry presently being undertaken. I have made an extensive study of the Macroeconomic system in Australia, over many years, and have found evidence of manipulative practices extending over a very long period.

For more than two hundred years, the economic system in Australia has been dominated by the large overseas banking organisations. The monopoly type power they exercise has been supported by numerous politicians and big businesses. The outcome for ordinary working people has been a series of economic downturns, recessions and depressions of monotonous frequency. Always accompanied by the banks and big business continuing to make their excess profits.

There has only been one period to my knowledge when for a space of less than twenty years, the Australian economy was free of the big banks manipulation. This occurred between the late 1930's and the late 1950's. It may also have occurred to some extent during the first world war too.

The joint parliamentary control established during World War Two in Canberra overseen by John Curtin and Ben Chifley, established control over the banking system by means of the Statutory Reserve Deposit system (SRD) The SRD system limited credit creation by the big banks, and was accompanied by full employment, which persisted well into the 1950's and beyond.

Talk of nationalising the banks during the early post war period, led to the Government being defeated in the 1949 election, and being replaced by a more conservative and compliant administration. During this time, between 1949 and 1959, the big banks managed to wriggle out of the SRD system controls over credit, by establishing wholly owned Hire Purchase Companies, which were outside the control mechanisms of the SRD scheme. Commercial and merchant bank activities were also amalgamated with the domestic banking system too.

During those twenty years, the Commonwealth Bank, controlled by the Government, administered the SRD scheme. However it was replaced by the Reserve Bank in 1959, an independent body, not controlled by Government, but established as a Bank, and put in charge of administering the other banks. A bit like putting Dracula in charge of the blood bank, or the fox in control of the chicken pen.

Changes which take place as the result of an economic event usually take up to twenty years to work their way through the system. So by about the mid seventies, the Reserve Bank control of the big banks had allowed the unemployment rate to escalate from less than 1% in the late 1940's, to about 5%, and the government of the day allowed it to happen.

During this period, the only way the Government could influence the terms of trade was by revaluing or devaluing the dollar. But this last control mechanism was lost when Paul Keating floated the dollar. The only way the terms of trade can be influenced now is by the Reserve Bank altering the cash rate. Lowering the cash rate sufficiently would reduce the dollar to the level enjoyed by the economy in the late 1960's or early 1970's.

The Reserve Bank refuses to lower the cash rate below 2.5%, while the rest of the developed world is at 0.25% or 0%, zero. With our cash rate at least ten times the rate of the rest of the world, it's no wonder the dollar is still hovering around 95 cents, and holding our terms of trade too high for us to

sell our exports, or compete with cheap imports. We need the dollar to be at about 55 cents like it was in the late 1960's and 1970's. The Reserve Bank is deliberately keeping the cash rate at 2.5% in order to maintain the excess profit rates of the big banks, and itself of course.

Australia has always been a producer nation, producing much more than it can consume itself. In order to maintain employment, it must export, and avoid excessive imports. We can't do that if the dollar is too high to allow us to sell our exports, or even compete effectively with imports.

The Reserve Bank must reduce the cash rate to get us out of the real depression we are experiencing at present. The unemployment and under employment level is not the 6% claimed by the published statistics. It is nearer 36% which we experienced in the 1920's and 1930's. Do the sums for yourself. Anyone working even one day per fortnight is not counted in the unemployment statistical measure. Yet they are only 10% employed, and effectively 90% unemployed. When you add to that the number of jobs lost by firms shutting down, moving offshore and making people either redundant or early retired, the total who should and could be working is close to two and a half million. 2,500,00 Australians. No wonder tax revenue and production is down!

Yet our Government is obsessed with the aim to balance the budget. That will only help the big banks increase their excess profits, and lead to further loss of employment for working Australians. The Government must take back control of the economy and the terms of trade from the Reserve Bank Board. The alternative is that Australia heads further and further into depression.

Yours sincerely,

Thomas B Atkinson.