

26-8-1996

The Secretary,  
Financial System Enquiry,  
Treasury Building,  
Parkes Place,  
Parkes ACT 2600

## **Submission to the Inquiry into the Deregulation of the Australian Banking and Finance System**

Dear Secretary,

This submission may not fit the terms of reference but it is made from a position of general frustration with the repressive living and working conditions now being forced on all but a few privileged Australians. In the first section I explore the reasons suspected to have led to the Government's preoccupation with economic matters. The second section explores why the Banking and Finance Sectors are implicated in letting this parlous state develop in Australia. The third section challenges some of the economic reasoning and beliefs which are circulated by the economic fraternity but which seem to be on shaky ground indeed. Some corrective measures are suggested. The conclusions are then drawn together in the fourth section.

### I. THE PROBLEM

While persecutions based on political, religious and other forms of intolerance are as old as humanity, the "achievement" of our times must be the tendency of our political leaders to **abandon social responsibility** and impose government according to the incredibly schizophrenic generalisation of "the economy". Such political arrogance, now common between the World Bank and many nations, is most destructive at the national level. It affects the livelihood of all Australians. It accounts for the paralysing economic fear felt by many.

That economic fear ultimately caused the downfall of the Keating Government and it will, sooner or later, discredit the present Howard Government. The main consequences of that collective fear are those caused by semantic confusions due to ideological manipulation. Federal Governments since 1983 have shifted their attention from the **duty of care** for the Australian population to one of **servicing the economic ideology**. That shift has caused isolation or marginalisation and, ultimately, frustration.

Semantic confusions are downsizing and outsourcing, economic efficiency (meaning profit maximisation), competition (meaning price-wars). Wide-spread isolation, marginalisation and frustration of the employed, unemployed and retired are the direct

consequences of the present economic mindset in government and are well documented.

The elimination of national debt seems to have assumed precedence over **all other considerations of good government**. Although it is declared that servicing the debt IS good government, it is simply a shift from difficult social responsibility to the simpler servicing of an economic mechanism. That fixation with the national debt seems to be responsible for the inappropriate pathologic fear in Treasury and the Banking System. This fear is fostered by the World Bank in the interest of maintaining the soundness of the international banking system at the expense of the health and well-being not only of Third World nations but also of Australia. We are now locked into a subservient role so that Australian resources can be "legally" extracted as an economic atonement for its economic "debt". The same applies in the mining of the soil for export agriculture.

Nations of the First World, most spectacularly Japan and the USA, use the remaining assets of the rest of the world while they export their inflation, environmental and social problems to the supplier nations. Those problems were caused by the erosion of their economies through resource poverty or wastage, environmental exhaustion and social mismanagement. The transfer of these miseries to the supplier nations is aided by foreign investment and other control mechanisms that have to be reviewed in the interest of a more independent Australia.

This is now a serious problem for Australia. Due to the prevailing economic mindset, debtor countries are obliged to initiate an era based on the politics of hardship in an attempt to bolster their revenues through exports, thus further underwriting the inflation transfers. This occurs unavoidably at the expense of the irreversible exploitation of natural resources and the increasing impoverishment of our people. This process of impoverishment does not vary with the ups and downs of the market for it is structural in nature. Market variations due to resource pricing only affect the rate of economic impoverishment of otherwise resource-rich supplier nations like Australia. They do not change the debt levels by which we are held to ransom.

- To ascertain the nature of this terrible collective destruction is a great challenge.
- To influence government ideology seems almost impossible.
- To re-assert national independence to negate such servitude is beyond our government's comprehension.

We call ourselves part of "the free world", but it is a world full of the most obscene inequities and violations of human rights. In the name of the people systems are created where people must simply comply obediently with the dictums of an "almighty state." Strikes and peaceful protests are quashed and people are arrested while covert state terrorism is accepted as law and order. Examples of such terrorism are the sell-off of public assets for private profit, a practice for which China was pilloried by the A.B.C. in a 4-Corners Report last year, but the parallels with Australia are ignored or suppressed. Other examples like the "management" contracts let to foreigners for public water supplies, prison administration and hospitals or even the blatant subsidies through proposed tax rebates to private health funds and hence the medical profession (as owners of private hospitals) are some instances of many. The opening up of

Australia's Finance and Banking System to foreigners to come and go with Australian assets as they please is a gross violation of this nation's sovereignty.

The end result is that people cease to understand, cease to cooperate and either turn into cynics or melt into impotent, perplexed individuals squatting in caravan parks and alienated masses with occasional violent outbursts like those recent events at Parliament House, Canberra.

Economic marginalisation turns people into political exiles and economic refugees, travelling the highways between Victoria and Queensland in a futile effort to find employment. It destroys identity and breaks up families. Interpersonal affection is lost, which creates guilt feelings that are often accompanied by suicidal tendencies. The frustration of life translates directly into political intolerance that systematically erodes the creative capacity of people and makes them destructive. In response, governments become more militaristic. Private guards are already part of the daily scene. The eventual result is general chaos in which only guerilla leaders can enforce some mob rule. I have lived through such processes during the rise and fall of the Third Reich in Germany. They are not fiction!

## II. THE BANKING AND FINANCE SECTORS ARE IMPLICATED.

Since the Banking and Finance Sectors have some degree of independence and set the parameters for financial management in Australia with other aspects controlled by Treasury and the Treasurer as part of the Government, equal blame has to be attached to all of these for the deteriorating economic conditions, the unemployment levels, the precarious job security and the impoverishment of retirees under which now most Australians live.

Mr. Howard said on election night that he intends to govern for all Australians, even those who did not vote for the Coalition. **To serve at all times the long and short term interests of Australians is the purpose for having an Australian government.** He must not do otherwise.

- That duty of care ought to be written into the Australian Constitution as a job-description for the Federal Government.

I therefore appeal to the inquiry to do what can be done to make the bodies that shape policy accept that it is not in the interest of most Australians to subject their lives to the general economic paranoia. Neither the treasurer nor the government can be permitted to make considerations of Australia as a sound, functioning nation secondary to balancing the budget. Ordinary Australians see the "need to balance the budget" as an imposition which will make the present government look beholden to external powers, the World Bank, the International Monetary Fund and the World Trade Organisation.

This Australia is a rich country, the richest on per capita resource wealth (World Bank, Sept.1995). We can afford some inefficiencies in manufacture and trade, hence

- some industries can be protected by tariffs for other than economic reasons,
- some redistributive welfare can be tolerated and

- some economic efficiency can be sacrificed for better social outcomes.

It is inappropriate for our governments to hold us to ransom for some economic dogma that is at best a faulty philosophy and at worst no more than somebody's ideology! It was only **Keating's buffoonish belief** that competition is good for Australia (Competition Policy p.15), and on that statement the whole of the Competition Policy is founded. All Australians are now suffering because of it. Why is that policy so zealously pursued by the present government? The Australian electorate will never thank any government for that!

I appeal to the enquiry to aim at securing the long and short term interests of the Australian people on this continent. We can only aim at living in harmony with our continent while others must find their own balance with their living space.

### III. SUGGESTIONS FOR CHANGE

It is noted that taxation questions are not to be part of this enquiry. However, since aspects of this enquiry have political and social implications, purely economic tools are insufficient to effect proper control. Taxation is a political tool that has its place in running a country, its consideration must, therefore be included.

#### (a) Foreign funds transfer tax

The specifics of changes held necessary (to ensure that the interests of Australians, ordinary business people and employees, are served in an equitable manner) should include any measures that give more autonomy to the Australian economy and disconnect the controlling influence of foreign investment. An effective tool in this direction would be the application of a Tobin Tax on money imports and exports in any form. That should include moneys brought in by tourists, investors, banks and electronic transfers and should be levied again on all repatriated funds, profits and capital, by foreign investors, travellers leaving and any other money movement out of Australia. The task would be great, but so would be the returns to the Australian economy and our foreign debt reduction. This would avoid the necessity for regulation, its difficult parameter setting, policing and enforcement that can at best be mediocre.

#### (b) Nexus between environment and inflation

Since there is a fundamental connection between the inflation rate (which is dependent on the increase in scarcity of natural resources and the efforts directed at abatement of environmental impacts, pest and disease control etc), I deem it essential that the money supply and particularly the creation of credit by the banking sector be meticulously monitored. If necessary it may even have to be directly controlled by any means available, perhaps an enforceable credit to asset ratio. This has to be done in the interest of maintaining the resource capital asset base (as a source of material and fuels for all economic activity). A resource rental or carbon tax should be considered with some urgency in this context. The state of the environment may be used as an indicator for the imposition of that tax.

The connection between deterioration of the state of the environment and the inflation rate (the "utility of resources") is generally denied by mainstream economists, because resources are not measured in tonnes, but by their value in dollars. That valuation, however, changes in tune with the inflation rate, thus hiding price changes that are a consequence of increasing scarcity.

(c) Negative discount rates

The scarcity of resources is increasing. Whether that statement is true or not, the effect is reflected in the climbing cost of mineral exploration, increasing difficulty of opening new gas fields and higher prices of substitutes. I would therefore advocate the use of zero or negative discounting rates to give more weight to future returns from renewables and to the opportunity costs attaching to profligate fuel use and their export now. Future prices of hydro-carbon supplies will rise steeply. The export of natural gas from the North-West Shelf to Japan is a prime example of how inflation is transferred from that country to Australia, since the gas enables Japan, a resource-poor country, to manufacture at similar factor prices to Australia or even lower ones while the Yen is over-valued.

#### IV. CONCLUSIONS

These remarks may not fit the terms of reference but are made from a position of general frustration with the repressive living and working conditions that are now forced on most of the Australian population as a consequence of the Competition Policy (Hilmer Report). The hardship meted out to the Australian people in the pursuit of a schizophrenic economic ideology is inexcusable, while the neglect of social responsibility amounts to an abrogation of the government's duty of care for its electors.

Therefore **the government's duty of care for the electorate** ought to be written into the Constitution.

That means less than maximal economic efficiency has to be accepted. It is alright if

- some industries are protected by tariffs for other than economic reasons,
- some redistributive welfare is tolerated and
- some economic efficiency is sacrificed for better social outcomes.

It may also be useful to impede the in- and outflow of investment money across our borders by some general levy (Tobin Tax) on the movement of funds. Australia will not suffer from reduced foreign investment. Instead it will remove the strain of having to compete on foreign markets and sever the importation of conditions undesirable in Australia.

It seems to be an absolute necessity to change the government's focus from its pre-occupation with economic matters to include the proper functioning of Australia as an independent, strong and wealthy nation and to re-assert its role vis-a-vis those schizophrenic economic fears that are generated by others to lock us into a submissive role of suppliers of material and fuels. Accepting that role only transfers other nations' inflation, environmental and social problems to this continent. It is therefore essential to

- ascertain the nature of this terrible collective destruction: that is a great challenge.
- influence government ideology: that seems almost impossible.
- re-assert national independence to negate such servitude: that is beyond comprehension.

I wrote this submission in the wish to make the lot of employed, unemployed and retired Australians somewhat easier, but my hope of success is almost exhausted.

Yours faithfully,

Gerhard Weissmann.