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17th May 2012

Submission to Senate Economics References Committee

The effects of the Global Financial Crisis can be traced back to the bankers scam of credit creation out of nothing and usury being charged to borrowers of credit which is really debt.

As a prerequisite all senators should read former democrats' senator Paul McLean's book 'Bankers and Bastards'. This book gives an insight into the recent history of banking practices and cover ups in Australia.

What must be understood is the impact the bankers' scam of credit creation out of nothing has personally, nationally, and globally upon the planet.

Most politicians, bankers, lawyers and finance industry representatives when questioned deny or evade this scam and the mainstream media only babble on about changes to interest rates and bank charges and ignore the credit creation scam.

The Australian Bankers Association Information Paper No. 1 states on page 2, that *"This is shock number two: most of what we understand by "money" does not exist in any form other than as entries on bank statements or figures in computer printouts. More than 90 per cent of what we know as money is deposits and a substantial proportion of these have been created by the lending activities of financial institutions"*.

What needs to happen now is the re-regulation of the nation's financial system by:

1. the immediate separation of sound commercial banking which benefits the average Australian, from the speculative merchant banking activities which have grown like a cancer under financial deregulation, both in this country and worldwide and which have largely caused the present, ever-deepening global financial crisis; the well-known precedent for such a separation is the 1933 U.S. Glass-Steagull Act, which president Franklin Delano Roosevelt used to bring his nation and the world out of the Great Depression, and whose adoption is presently being debated in numerous countries around the world;

2. the immediate re-establishment of a new, government-owned national bank to provide credit for urgently needed great infrastructure projects as the engine to drive a great new renaissance in our agro-industrial, *physical* economy; we must have a sovereign Australian national credit system, not a London/Wall Street-controlled *monetarist system*, to enable us to secure the well-being of *all* Australians instead of just the privileged few, as under the present, monetarist system;

3. an immediate moratorium on all bank foreclosures on homes, farms and businesses;

4. an 'Origin of Funds Declaration' on all bank loans stating that "The sum of this loan was created out of nothing under a capital adequacy ratio of e.g. 10 to 1".

Talk of bank disclosure and transparency is meaningless without the above declaration. What is wrong with people being told the truth about origin of bank loans?

The present global situation highlights that people are getting fed up with spin and inaction by politicians selling out to bankers instead of supporting the general welfare of the people.

Yours Sincerely,

Bernie Bourke

A BANK VIDEO SECURITY CAMERA CATCHES A ROBBERY IN PROGRESS

INFORMATION PAPER NO 1

MONEY - WHAT IT IS, HOW IT COMES TO BE

Produced for the Australian Bankers' Association

by

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ORIGINS OF MONEY

Money has held an irresistible fascination for the human race throughout history. There are obvious reasons for this. In the first place, money is a means of holding wealth and the accumulation of wealth has been a primary objective ever since people found it was preferable to being poor. Secondly, since people are consumers, they find it convenient to use money as a medium of exchange for goods and services. These two primary functions of money - a store of wealth and a medium of exchange - serve to satisfy two basic human instincts: to hoard and to acquire.

Historically, money has taken many different forms - cattle, stones, shells, whales' teeth, tobacco, rum, cigarettes and metal, to name a few. The primary test of money is whether it is acceptable and this, in turn, depends on its ability to retain value, whether it is convenient to carry, whether it is capable of precisely measuring value and how well it stands up to wear and tear. In the early history of money, metal - especially a precious metal such as gold or silver - fulfilled these requirements admirably.

*The coinage which developed was **standard**, as distinct from today's token, money, i.e. the coins were worth their weight in gold and silver. But in time, standard coins became too valuable and too much subject to abuse to serve as a medium of exchange. It became popular practice among kings to debase the currency by reducing its gold or silver content and substituting a less valuable metal, usually copper. The king's loyal subjects played their part by adulterating the coinage through "clipping" and "sweating".*

As gold became scarce and its value as a metal increased, metal tokens and then printed notes became the universally accepted currency. This development was hastened when governments took over the sole responsibility of minting and printing money.

** "Clipping" involved shaving off small pieces of the coins. "Sweating" meant shaking the coins together to leave residue of small pieces or dust. Profit was to be made from the accumulation of small pieces of the precious metals.*

BANKING MATTERS

Information paper prepared by Australian Bankers' Association
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WHAT IS MONEY?

It comes as something of a shock to reflect on the fact that modern money has little or no intrinsic value. How can printed notes and coin, backed by no precious metal, be worth anything? How can printed money be genuine? All money is "printed" in the sense that it is created artificially. What separates good money from bad is not its form but its command over goods and services. Money loses value when its supply is increased at a rate in excess of the capacity of the economy to produce goods and services. The problem is not that money is printed, but that it is printed excessively.

Bank notes were originally issued to depositors as evidence that gold was held on their behalf in a bank. It became convenient - as well as safe - for the depositor to use the notes to transfer the deposit to another person, for value received. This was an innocent enough practice: the value of the notes was matched by the value of the precious metal held in banks. But not for long. As banks began to contemplate the reserves of hard currency they held, it was but a short step to lending it out, at a rate of interest, by issuing bank notes to borrowers. The meaning of money had undergone a fundamental change.

The value of "token" money now exceeded "standard" (or "real") money.

There was a further stage in the process. Once the issue of currency became the prerogative of governments, banks began to allow depositors and borrowers to use their funds by issuing "bills" drawn on the bank. The cheque book method of settling transactions was underway.

The test of what constitutes money is purchasing power, i.e. its ability to be exchanged for goods and services. Currency on issue obviously performs this function and so, too, do deposits which represent stored up purchasing power. But not all forms of payment qualify as money. The long established practice of using cheques to settle transactions has implanted the notion, at the popular level, that cheques are money. But a book of cheque forms does not entitle the holder to embark on a spending spree. A cheque is only good if it is backed by a deposit or an approved loan. The distinction tends to become blurred by the pace of modern commercial practice, but the fact of the matter is that cheques are merely a convenient and safe means of using one's money. The same distinction applies to "plastic money". Credit cards, too, are a means of exercising purchasing power, but it is the cardholder's bank deposit which traditionally has been regarded as the source of his or her spending power.

So in modern economies, the standard answer to the question "what is money?" is currency on issue (notes and coins) and deposits in the financial system. While currency is, still the most visible form of money, it represents only a fraction of the purchasing power available within the economy. This is shock number two: most of what we understand by "money" does not exist in any form other than as entries on bank statements or figures in computer printouts. More than 90 per cent of what we know as money is deposits and a substantial proportion of these have been created by the lending activities of financial institutions.

This is what most bankers and politicians deny, evade and tell lies about. Yet here the A.B.A admit credit creation out of nothing.

But while this is the standard answer to the question "what is money?", there are alternative ways of measuring purchasing power. By looking at the other side of the balance sheets of financial institutions, we could measure the amount of credit (loans and overdrafts) extended to borrowers.