

John A Turner

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Submission to:
Competition in Banking
Dear Committee Members,

This committee needs to consider a wider view of the problems in banking than just the problems due to the fact that banking is not an industry or business in which goods or services are manufactured in the accepted sense of competitive economic theory. Money is not manufactured from other inputs; it is created virtually by strokes on a computer keyboard.

The committee should find and study a copy of a series of articles published in the Australian Financial Review in 1972-3 and written by Neil McInnes, an Australian then in Paris and now, or at least recently, retired and living in Canberra. The articles were titled, "What do we do with these worthless American Dollars" or similar. I had my own copies for years but they have gone astray. Mr McInnes no longer has a copy but I am sure that a library somewhere would have a copy available.

My principal comment is that since the first oil shock the world's financial institutions have done little more than push back the day of reckoning which has resulted from having the USA dollar as a reserve currency once the USA moved from being a net exporter to a net importer. Since that happened the USA has, with the concurrence of the Basle Agreements, simply created bank balances for foreigners to pay for the excess imports. Trading in the money in those balances has led to recurring financial crises. International trade in real goods and services is now minor compared to the completely wasteful, and unproductive, trade in a fictitious commodity,

The USA has now no alternative but to revert to producing internally many of the consumer products it now imports and pays for by simply creating money. Other countries must cease using the American market as consumer of last resort.

There is a lesson for Australia in the USA situation. We are avoiding producing our own consumer consumption products by exporting our reserves of iron ore and coal and will face a similar situation to the USA when those resources are exhausted. Those reserves are capital assets and all natural resources, except adequately cared for agricultural land, will eventually be exhausted.

This may seem to be a long way from banking but it is not. Our reserves are money in the bank and should not be wasted to fund current consumption. Our financial systems, including banking and superannuation, are a bloated expensive load on the real potentially productive industries of Australian and it the task of the political system to ensure that the future of Australians is protected from the waste that the load entails.

Yours sincerely,