

Amid financial shakeup, a new architecture is coming together

The *Australian Alert Service* is the weekly publication of the Australian Citizens Party.

It will keep you updated on strategic events both in Australia, and worldwide, as well as the organising activities of the Citizens Party.

To subscribe to the *Australian Alert Service*, it's easy, and it's secure.

[Click for subscription options to the *Australian Alert Service*](#)

Lead Editorial

5 April 2023
Vol. 25 No. 14



ASEAN delegates meeting in Bali agreed to trade in local currencies and other measures to insulate themselves from the US dollar order. Photo: AFP/Sonny Tumbelaka

From major powers Brazil, Russia, India, China and South Africa, to rural Australian municipalities, political leaders are challenging the current financial order and rolling out new mechanisms to replace it.

There has been a concerted effort by BRICS nations, with a growing retinue of collaborators, to ramp up functions of a new financial architecture. China has just paid for energy from the United Arab Emirates in yuan for the first time, as did France; Brazil and China have agreed to settle trade in yuan; ASEAN (Association of Southeast Asian Nations) countries will trade in local currencies, and Indonesia is introducing its own domestic payment system. A proposal for a “new currency” to serve a multipolar world will be presented at the BRICS leaders’ summit scheduled for August in South Africa.

This has been motivated by the latest example of the dying US-centric banking system, with the collapse of three US banks and contagion spreading to European giants Credit Suisse (out for the count) and Deutsche Bank (long on life support and again showing signs of imminent demise).

The unravelling US dollar order (p. 8) threatens economies and people everywhere. Mechanisms were enacted after the 2008 crash to make *the people* pay for the next one, by stealing their deposits. This is now hitting headlines from the USA to regional Australian towns. Senator Malcolm Roberts brought the issue of “bail-in” directly to Finance Minister Katy Gallagher, and pointed to the reality that the Deposit Guarantee Scheme is effectively worthless, as if invoked it would cover only some 7 per cent of deposits! (p. 3) This parallels the US situation where the federal deposit insurance fund holds only US\$128 billion while deposits total some US\$17.7 trillion! This is a big topic of debate as authorities were forced to back all deposits in the failed US banks, given their high levels of uninsured deposits, to stem runs on those banks. The real fear, though, was of setting off a run on *all* banks, knowing that nearly 200 others are in the same position as Silicon Valley Bank. After 15 years of quantitative easing, the overinflated assets of the US banking system are worth US\$2 trillion less than the book value registered by the banks holding them, said a March report released by the Social Science

Research Network. ([“Four US banks and one Swiss giant—expect more bank runs”](#), AAS, 22 March.)

The danger of councils having deposits seized in a new financial meltdown is very real for Australian shires that saw investments in toxic securities wiped out in 2007-08. The federal legislation allowing for bail-in of deposits to save failing banks, passed in February 2018, was raised at a Wagga Wagga Council meeting on 3 April. A motion to demand the federal government close the loophole that can allow confiscation of deposits, which would include the \$196 million held by Wagga council, passed unanimously. The deposit guarantee, even if it did what it professes to do, would obviously not protect these funds, or those of any other Australian council or large organisation.

This unanimous endorsement followed a comprehensive briefing on the subject by Councillor Richard Foley (p. 12), who has been leading the local fight to stop regional banking closures. Numerous councils have taken up that issue— which is shuttering their towns—creating a formidable force that given the extension for submissions to the parliamentary inquiry (p. 3), can be unleashed even more effectively. No doubt more council will take up the fight against bail-in, especially since Wagga has determined to bring the issue to the National General Assembly of Local Government which meets in June. At the earliest opportunity, Malcolm Roberts will again move the One Nation bill to amend the bail-in legislation to explicitly exclude deposits from bail-in. With these tandem fights we have an extraordinary opportunity to contribute to the international fight for a better economic order!

In this issue:

- Senate regional bank closures inquiry extends submissions deadline
- Finance Minister ducks questions about Aussie deposit guarantee
- Penny Wong’s double standards
- Albanese’s National Reconstruction Fund a blow for Australian manufacturing
- ASPI in damage control as its credibility crumbles
- The US dollar reckoning
- The fall of the hedge funds?
- The fight vs banks and bail-in grows
- City of Wagga Councillor wins motion to save \$196 million in deposits from ‘bail-in’

[Click here](#) to find out how to subscribe. For freely available AAS articles, [click here](#).

[Click here for the archive of previous issues of the Australian Alert Service](#)