



Australian Citizens Party

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MEDIA RELEASE

26 March 2013

The Cyprus option, or Glass-Steagall?

The Cyprus “solution” sets a precedent for future IMF-dictated banking rescues—deposits will be stolen to prop up banks.

A Glass-Steagall-style banking separation will protect deposits, and therefore the solvency of banks, by splitting banks with deposits away from the high-stakes gambling of investment banking, and the investment banks will be allowed to fail without any blowback on depositors. Glass-Steagall will thus altogether eliminate the need for bailouts, all of which ultimately fall at the feet of the taxpayer, and, as we have seen, solve nothing.

Now, as we witness what are potentially the initial rumblings of an avalanche of bank collapses, the question is, which way will Australia go?

[It's pointless consoling yourself with the illusion that Australia's banks are bulletproof.](#) In December, the experts in Europe consoled themselves by declaring the eurozone crisis over, and now look at what's happened in Cyprus.

Cyprus banks made bad bets on Greece's debt, which effectively bankrupted them, and again raised the prospect that a nation might be forced to withdraw from the European Monetary Union and the euro.

To prop up the euro, the Troika—IMF, European Central Bank and EU—demanded Cyprus confiscate money from the banks' customers, the depositors: 6.75 per cent on accounts under 100,000 euros, and 9.9 per cent on accounts over 100,000.

This cure was worse than the disease, because it shredded the Europe-wide guarantee announced by German Chancellor Angela Merkel at the height of the eurozone crisis that bank deposits up to 100,000 euros would be protected; Merkel herself signed off on the Troika's demands to Cyprus, so depositors all over Europe are now in a panic, because they fear their guarantee is worthless.

Only the Cyprus parliament has done anything to preserve the guarantee, by emphatically rejecting the Troika's demands; however, deposits above the guaranteed threshold of 100,000 are at risk—the Cyprus parliamentarians agreed to massively tax deposits over 100,000 euros, and the Dutch chairman of the eurozone has sparked panic by announcing the Cyprus arrangement would be the template for future crises.

So, which way will Australia go?

The CEC is leading the fight for Australia to go with a Glass-Steagall banking separation. A petition to federal Parliament is circulating nation-wide, and delegations of CEC activists and supporters are meeting MPs.

[Click here to read a comprehensive analysis of the present crisis in the Australian banking system, and the history that led to this point.](#)