Heed the warning of the EU elections

The *Australian Alert Service* is the weekly publication of the Citizens Electoral Council of Australia.

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

Forget the headlines that the re-election of Scott Morrison has revived confidence in the economy and housing market. What is actually happening is a great betrayal of the public's trust in government. To see where that ends, look at the results of the European Union Parliament elections, in which the UK's Brexit party and other protest parties across Europe have attracted massive support from voters who have suffered great betrayal by their governments and have voted to bring down the ruling institutions.

The Morrison government, bank regulator APRA and the Reserve Bank of Australia have scrambled to avert a meltdown of the housing bubble, which threatens to smash the banks. How are they doing it? By feeding young families into the furnace, fuel for expanding the debt bubble crushing the economy. With Morrison's 5 per cent first homebuyers deposit scheme aimed at 10,000 borrowers initially, and then likely more; APRA's scrapping of the 7 per cent minimum interest rate to assess mortgage serviceability; and the RBA planning two, perhaps three interest rate cuts down to 1 per cent or even below, it is clear that a decision has been taken to try to increase the price of housing, which means increase the size of bank mortgage loans and therefore the massive household and private debt that is already suffocating Australians.

Australian household debt is around 120 per cent of gross domestic product, the second highest in the world. Total Australian private debt is almost 200 per cent of GDP, which is the highest level that Australia has ever carried, higher than in both the 1930s and 1890s depressions. Knowing this, the authorities have deliberately decided to increase the debt burden as a short term fix. Not to solve the financial crisis, but to put it off for another day, and in the process make it even worse.

Post-election there is a wave of exuberance among bankers, mortgage brokers and property spruikers, who are telling their clients that everything is about to take off again. Establishment economist Peter Switzer, who hosted the famous great debate between John Adams and Christopher Joye, crowed on his 27 May Switzer TV YouTube show: "Look at the business reaction to Scomo's election win: developers want to build stuff, Aussies are back wanting to buy homes again at auctions, investors are buying banks and confidence is rebounding!" In practice, as Irish financial expert Eddie Hobbs has warned (p. 4), this means that young families are being lured into debt traps, and developers see a way to offload their projects to suckers who will be the last ones in before a mega-crash.

And when that inevitable crash does happen, and hundreds of thousands of families are trapped in negative equity and drowning under their unpayable debt burden, what will Scott Morrison say when they protest? What he said about bank victims during the royal commission: "Caveat emptor—let the buyer beware!"; that they must take personal responsibility for their financial situation, and not expect government help.

Versions of this experience—governments sacrificing the welfare of their citizens to feed the appetite of the predatory financial system—have been repeated all over the world in the last few decades. Australia hasn't yet experienced a full crash, but those nations that have are now paying the political consequences. This is especially true in Europe, where the public has worn the burden of the consequences of decades of the EU and member governments conspiring with megabanks to loot the economies through speculation, privatisation, public-private partnerships, and the financial shenanigans involved in creating the single currency. The mainstream politicians and banks made out like bandits—literally—but since the 2008 crash, which has left once-mighty institutions such as Deutsche Bank on life support, the same authorities have inflicted brutal austerity and bail-ins on their populations. Australian politicians should take the rage among European voters as a warning.

Click here for the archive of previous issues of the Australian Alert Service

---