

IMF report spells end of financial system; throw failed policies overboard!



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On 22 October Bob Katter notified parliament he will table legislation in November directing the Auditor-General to audit the major banks. Katter's move will strike terror into the banking establishment that dictates policy in this country, as such an audit would expose that the supposedly strong Australian banking system is hopelessly bankrupt.

This comes as the IMF warns that the global economy is on the edge of an abyss and could be sunk by any number of ticking timebombs. The IMF's October 2019 Global Financial Stability Report warned that a recession half as severe as the 2008 crunch could blow up a US\$19 trillion bubble—40 per cent of the corporate debt of eight major economies. Of course it wouldn't stop there.

Former Bank of England Governor Mervyn King has warned of "financial Armageddon" (p. 10). And in an article on the IMF's pronouncement, City of London scribe Ambrose Evans-Pritchard said the policy reaction to the last crisis "created a monster". "The International Monetary Fund has presented us with a Gothic horror show", he wrote. "The world's financial system is more stretched, unstable, and dangerous than it was on the eve of the Lehman crisis."

The IMF report is an admission that the mega stimulus provided to banks since the global financial crisis has distorted the entire financial system and made the original problem many times worse. Yet authorities continue to administer the same medicine. The US Federal Reserve has had overnight money markets on a daily US\$50-100 billion drip since 16 September when the "repo" market went haywire. Then on 9 October, it announced a new program to buy US Treasuries from financial institutions—new quantitative easing by any name. IMF Chief Economist Gita Gopinath has added that if conditions deteriorate, "an internationally coordinated fiscal response" might be in order because central banks are running out of ammunition.

With the IMF downgrade of our economic outlook, Australia's economy is officially on a worse trajectory than that of Greece. The so-called uptick in the housing market has been shown to be a fraud. Reserve Bank of Australia Deputy Governor Guy Debelle warned on 17 October that the worst of the construction downturn is still ahead and forecast "a further 7 per cent decline in dwelling investment over the next year", or worse.

At the Intersekt fintech summit in Melbourne on 16 October, ANZ Chief Executive Shayne Elliott admitted that the big banks are in trouble. Their profitability is "under threat", he said. Although he didn't mention it, this is pushing them into record levels of new derivatives speculation. According to the *Australian Financial Review*, Elliott challenged the model which has developed since the demise of Glass-Steagall restrictions globally in the late 1990s: "I think the idea of, you know, that ... these universal, mass-market banks are going to continue to thrive, I don't agree that that's the case. I am not saying there's going to be none, but I don't believe that this is sustainable in the future." This follows the call by former NAB managing director and ANZ executive Joseph Healy, to break up the Big Four banks which are too powerful and are looting the economy.

Bankers who see the new crisis coming would still like to think they can navigate a pathway through without having to give up the very thing which is dragging them down, but it is increasingly clear that only by jettisoning the speculative alter-economy built alongside the declining productive sector can the world survive. A return to the strict Glass-Steagall standard ushered in to rebuild the financial system after the 1929 crash and early '30s Great Depression would prevent commercial banks speculating, and lock speculators out of the mammoth multiplier effect possible from turning deposits into derivatives. Only this can pull us back from the brink.

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