

Stop the banks from stealing your money

Why have we launched this petition?

Because from June 30 this year, your bank, if it gets into trouble (and it just might), will be able to freeze your bank account overnight and give it a 'haircut'. You will wake up in the morning with less in the bank because you are a creditor of the bank. Banks are more complicated and more internationalised these days. They can now position themselves so that the depositors will take most of the risk. ¹Bank customers have no way of assessing what their risk is. Sure, it is slightly better than a taxpayer bailout or a bank shut down, but we don't think it fair that either taxpayers or bank customers should rescue the banks.

Why haven't we heard about it yet?

The Reserve Bank is working quietly with banks to set this (innocently called Open Bank Resolution) in place. Treasury and some academics know about it, but the Government has not let us know.

A real alternative exists now to prevent bank runs

The IMF economists Jaromir Benes and Michael Kumhof recently wrote a paper² called *The Chicago Plan Revisited*, which gives a better alternative. They said:

At the height of the Great Depression a number of leading U.S. economists advanced a proposal for monetary reform that became known as the Chicago Plan. It envisaged the separation of the monetary and credit functions of the banking system, by requiring 100% reserve banking for deposits. Irving Fisher (1936) claimed the following advantages for this plan:

- (1) Much better control of a major source of business cycle fluctuations, sudden increases and contractions of bank credit and of the supply of bank-created money.*
- (2) Complete elimination of bank runs.*
- (3) Dramatic reduction of the (net) public debt.*
- (4) Dramatic reduction of private debt, as money creation no longer requires simultaneous debt creation.*

Action has to be international and simultaneous

This major reform has to be implemented simultaneously across the whole global banking system. We want New Zealand to play its part in international forums to ensure that the Chicago Plan Revisited is implemented in a workable form that protects both taxpayers and savers from bailing out banks and makes the banking system more stable. That's why we ask for a Parliamentary Enquiry.

Who are we?

The petition is initiated by the New Economics Party (<http://neweconomics.net.nz>) and supported by Democrats for Social Credit (democrats.org.nz), Living Economies Educational Trust (le.org.nz), Positive Money New Zealand (positivemoney.org.nz/) and The Awareness Party (theawarenessparty.org.nz). Other organisations are showing interest in joining us.

Where can I learn more?

We have a Facebook page <http://www.facebook.com/pages/Petition-for-a-Parliamentary-Enquiry-into-making-banks-stable/420764948002065>

¹ Geoff Bertram and David Tripe; *Covered Bonds and Bank Failure Management in New Zealand*, Policy Quarterly, Vol 8 Issue 4 November 2012

² The IMF paper is at <http://www.imf.org/external/pubs/ft/wp/2012/wp12202.pdf>