

## HOW CREDIT UNIONS BECAME "A Fast Lane for Venture Capitalism"

Victoria's politicians have had enormous criticism for letting some of the financial institutions lose the savings of their depositors, with the taxpayers footing the bill for billions. But what is said about causes, or about the Savings and Loan Societies that in the United States similarly lose their depositors' funds? The troubles there are probably worse than here.

Similar to our financial institutions, the S. & L.s are really specialist banks that, to provide long-term housing loans, customarily pay slightly more than the commercial banks for long-term money.

Right through the two World Wars and still continuing, deficit budgeting by both federal governments has lowered the purchasing power of the currencies. Land prices rise automatically and, to increase their profits, speculators then "borrow good money and repay bad". The Great Depression of 1930-31 slowed the process, but it grew again through 1939-45 and then worsened in the 'irresponsible sixties and seventies'. To make the fake claim that the deficits were being reduced, the Australian government has recently pushed onto the States some of the spendings that it had previously met. The value of our money continues to fall and the cost of living to rise.

Not being a commodity that can be manufactured, land prices rise and rise, falling a bit in the crashes but never to the pre-boom levels. Each crash ruins a new set of speculators and a new set of lenders.

Competing for funds to finance the land dealers, the major banking institutions lift their borrowing rates during the booms. This draws money away from the likes of the S. & L.s and the Credit Unions and leaves them with dangerous short-term borrowings against long-term lendings.

When this happened in the U.S., the S. & L.s responded by pressing their politicians, not to stop the deficit budgets but to derestrict the amounts that could be accepted as 'government insured' deposits. In the words of the Department of Thrift, this made them instantly "a fast-lane vehicle for venture capitalism" and with no increase in the insurance premiums that the speculators should have paid!

The regulatory agencies, without experience, "now had to deal with complex development and consumer credit loans, with no training and an inadequate staff." When the director of one of the Thrifts took off with its funds, the governmental insurance corporation was left with further staggering losses that the taxpayers soon must meet.

How similar to here, where the managers (sic) of the appropriately named Pyramid Building Society withdrew their own cash moments before closing its doors! Again on a scale measured in billions, the taxpayer is the loser.

Unless there is radical remedy, our newly-appointed and incipiently unfortunate Federal Treasurer probably will resort openly to the deficit budgeting practised by his predecessors.

The real responsibility lies with those electors who stand idle and unthinking while their governments levy taxes in lieu of the site rentals that should be the public revenue! Constructive thinking by electors would remove the gambling chip that the 'fast lane venture capitalists' play for with finance from the banking system as a whole. Big or small, bankers should lend only against assets created by physical exertion, not against land prices that mostly are extravagant and speculative pufferies.

W. H. Pitt.