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## What's a family to do?

For the first few years of my working life as a civil servant, I received my monthly salary in cash, in an envelope. I spent in cash. I could have saved in cash, in a cigarette tin, or under my mattress. I did not. I was “modern” and I had a saving account with a Bank.

Nowadays, families have no choice but to use many of the services of the Banking system. In Singapore unless one has a banking account it will be quite impossible to get your wages. This, plus all the credit cards and the cashless cards, the “Giro” type cash transfers, cheques, etc. mean that most of our money are in Banks, or have to pass through Banks.

Times may have changed, but basic needs remains the same. For most of us “family men/women” our financial needs are simple. We have, what is nowadays called, an “income stream”, we have expenses, and, savings. As “family people” we have to maximize our income and optimize our expenses in the first 30 years of our marriage. We need to grow our nest egg. Then for the next 25-30 years, when we retire, we need to conserve and use our nest egg judiciously.

A modern organized society should have the basic infrastructure where this financial service is delivered to us, the people, the family. As citizens, should be able to expect that “the State” provide the legal and regulatory framework for this to be possible, with a high degree of certainty.

In the old days, Bankers provide what was called Commercial and Retail Banking services and earn a good fee. Today they do not want to provide this service anymore. Instead, they now seek to sell new “products”, encourage speculations, churn for high turnovers, take their commissions, and run. New “products” are conjured out of thin air, by young “quants”, on a daily basis, to lure bank customers into all kinds of speculative schemes, thinly disguised as being related/linked to some aspects of the market, to feed the greed of speculators, and ultimately to fleece them in the process. Ordinary people, young and old are inadvertently and inevitably sucked into this voracious whirlpool.

To the families today it is a ‘lose-lose’ situation where they have no choice but to use the banking service, but those providing the service are not willing to provide it anymore.

A young professional told me recently of her experience with her bank.

“My Relationship Manager saw my Bank account balances and started to pester me to invest in a certain “product”. I wanted to know, not only the rules of how it works, but also how it will create

value so that the Bank and I can share the value created. He explained to me three times. I still do not understand. I don't think he did either. I will not put my hard earned savings into something I do not understand."

Another Banker advised Gary, "Whatever sum you take up in this "product" we can allow you to place a similar sum into a special fixed-deposit scheme where we pay you 1% per annum, interests". Gary laughed. "Inflation is going on at 8 - 10% per annum and you offer to pay me 1% as inducement to place a deposit and collateral with you, and, only provided that I take stake an equivalent amount to be able to "play" this product, with you as my commission agent?"

"But then what am I to do with my savings?" he told me. "I am retired. My income stream is now a trickle. Inflation is fast eroding my savings. What can I do? Go out, like a Zimbabwean, and spend all I have today, in anticipation that tomorrow my money will be worth a lot less? "

That may not be as absurd as it sounds. In a few weeks early this year, the world Governments pumped more than 3 trillion dollars worth of money into the Banks to prop them up. In the meantime trade shrank and financial transactions especially in the securities market came practically to a halt. In other words, supply of money went up, while use and demand were reduced. It is true that the Banks did not get crates of dollar notes trucked into their headquarters, they received these money as numbers, held in cyberspace, displayed in computers. This lubricant is supposed to un-jam the frozen inter-bank loans, and other transactions of mutual trust, that were necessary for world economy to function. Thus fortified Banks are then supposed to go about their business as usual, albeit with a little more supervision by Government. In other words, the banks were expected to use this money, which were "approved in principle" to push more money into the market, with less restraint, and perhaps more indiscriminately, to mediocre and marginal businesses, borrowers.

This sudden flood in the supply of money with no corresponding increase in goods and services can only lead to one result - hyperinflation. There is simply no way physical goods and services can be created that fast.

It is theoretically possible to avoid hyperinflation, provided that Governments can be equally resolute and efficient in taking this excess money (numbers) out of circulation the moment they are no longer needed. However, all Governments are susceptible to the pressures and influences from the powers which control big finance. After this shot of morphine which made the mistakes of reckless irresponsibility painless and without consequences, the Banks will not take easily to being weaned of this drug.

If you believe this to be the inevitable course of events, then you should stop saving money and start thinking like a Zimbabwean. The thousand dollars you save today will hardly be enough to buy you a loaf of bread next month. So spend everything you got today, this hour. Following this line of thinking further, you should then borrow, then convert the money you borrowed into something tangible which you can reconvert (with minimal loss) into money at a later date. For example borrow as much as you can to buy a quantity of gold today at a \$1000 per ounce and resell it at say \$10,000 per ounce a few months or a year down the road, and laughingly repay the lender at \$1000 per ounce plus his interests. While you are at it you may wish to consider leveraging, and trading on

margin, to hock whatever gold you buy and use them as collateral for further loans to buy more gold, to be put up as collateral for further loans..... That was and is how most billionaires are made.

But alas, we each have a family to bring up and we are expected to be responsible for our own our retirement and old age.

However, our elected Governments appear reluctant to regulate the Banks. Instead, they seem intent on making us and our children (present and future taxpayers) subsidize the funding costs of the Banks. This means that we are also subsidizing the dividends of the shareholders of the Banks, and the bonuses the Bankers pay themselves. Armed with free (taxpayers') money Bankers are now more motivated to take more excessive risks to justify their excessive rewards knowing that someone else will pick up the mess they, the Bankers, will leave behind.

Why are our governments doing this to us? Are they beholden to the Bankers? This article is not accuse Governments for pandering to the Bankers and the securities industry, and sticking the taxpayers. Governments have few options at that time. Not to give money to the Bankers then would have meant more dire consequences for the people. This article, just hopes to show that things are not as rosy as the Governments and the Bankers are trying to make it appear, and therefore they should not be allowed to go back to "business as usual".

As citizens, responsible family people, with children, and a future to look forward to, - for them and ourselves, it is not too much to expect our Governments to take this window of opportunity to set down firm rules to ensure that there is a fair and stable commercial Banking system to serve the people. At the same time, Governments should take this opportunity to make Banks cut away the speculative derivatives markets, and prevent these from masquerading as "banking services".

There are people who wish to speculate on margin calls, derivatives, accumulators, linked notes to any event, including weather, currencies, etc. these people have a right to their own market place. As gambling casinos, and betting shops exist, so can a designated niche for these, and any new speculative financial products to be conjured up. We can also be sure that like casinos or the gambling industry, should the derivatives gaming markets fail, families will not be asked to foot the bill.

The wishes of the taxpayers are simple and legitimate. Just don't allow Bankers to believe that their new role is that of casino operators, whose profit and income are directly dependent on fast continuous turnover of their clients' moneys.

Can the Governments of the people for the people deliver this, guarantee this?

***Economic activity, especially the activity of a market economy, cannot be conducted in a institutional, juridical or political vacuum. On the contrary it presupposes sure guarantees of individual freedom and private property as well as a stable currency and efficient public services. Hence the principal task of the state is to guarantee this security, so that those who work and produce can enjoy the fruits of their labors and thus feel encouraged to work efficiently and honestly.....***

***quote from.... Catechism of the Catholic Church... para CC 2431.***