

# Banking on a miracle

By Frank Greenall - Whanganui Chronicle

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IT SEEMS very appropriate that the master of the off-load -- Sonny Bill Williams -- has pulled a big off-load on the banks by taping over the BNZ logo on his Blues jersey.

As *Chronicle* editor Mark Dawson observed in Monday's editorial, perhaps he's doing us all a favour by reminding us what banks are ultimately all about - making money off debt, the bigger the better.

This is the very dynamic which came within a whisker of bringing the whole financial system crashing down around everyone's ears just a few years ago.

Sonny Bill has a contractual "conscientious objection" clause on usury, gambling and alcohol so as to not have to be an out-size sandwich-board man for their products -- even though these are areas dear to the Government tax take. Usury, in particular, is a big no-no in SBW's traditional Moslem world.

Usury is a rather conflicted term, these days usually referring to charging exorbitant interest on loans, but in days of yore often applied to charging any degree of interest at all.

With Easter just past, let's not forget that just a week before the events that kicked the whole resurrection thing off, Jesus was kicking the moneylenders out of the Jerusalem temple for clipping the ticket on their little transactions.

He even went so far as to call the place a "den of thieves".

Luckily for our modern New Zealand banks, the Son of God doesn't appear to be monitoring their activities, which are essentially the exact same by nature as the original temple tellers.

Or perhaps this is why the private owners of all our major banks are now situated safely across the Ditch, just in case He turns up in Lambton Quay or Queen St looking to kick some more moneylenders' butts.

Now, of course, many bankers are fine upstanding members of the community whose businesses provide essential services such as safeguarding funds, underwriting mortgages, business ventures and so forth.

There was a time, though, when bank executives earned pretty much the same as other senior managers or civil servants, and banking in general was more or less just another business.

But, sadly, as a rule of thumb in a flawed world, people will get away with whatever they're allowed to get away with. And, with deregulation of the financial sector, the banks have proved no exception.

Events of recent decades have seen an obscene worldwide stampede to create electronic castles in the air with exponential -- often corrupt -- leveraging.

And guess which player is acting both as realtor and rentier of these house-of-cards castles? The financial sector, as a proportion of the global economy, has multiplied by a factor of five or six, sucking out investment in such areas as manufacturing while creaming off outrageous bonuses and commissions and destabilising whole economies in the process.

Most governments -- including ours -- are complicit in this irresponsible chicanery. It's almost as if the aggrieved temple money lenders have got their own back by pulling off a miracle of their own -- creating money out of thin air.

This is done on the premise that bank customers won't all turn up at the same time wanting to withdraw their initial deposits in cash.

The bank only holds a small proportion of the original deposits in cash, but is allowed to make loans worth many times more than these deposits at the mere press of a computer button.

Incredible as this notion may seem, it can be easily proved by all the customers of, say, the BNZ, turning up tomorrow and wanting their deposits paid out in folding stuff.

When this happens, as does occasionally occur, you get what are known as bank runs. This is because the directors of the banks in question have to immediately repair to the restroom for a change of underwear.