

Title;  
commercial threats to financial independence

Abstract (full paper on next page);  
Financial institutions (banks) exert an undesirable and increasing negative threat to financial freedom:

- (Student) loans;
- Mortgages;
- bail-out and bail-in measures.

All work towards increasing financial slavery of individuals.

Credit crisis measures have not led to bank reform.

This paper argues principal steps for improvement by addressing the root cause; 'debt bondage through unregulated greed'.

Banks currently operate independent from political government and democratic control. They are granted a 'license' from a central bank. These license conditions and the rules under which the central banks operate should be changed by law.

Some of the proposals; An unhealthy bank is to be considered a utility bank and needs to be regulated through independent and published audits. A hard limit on banker pay and ban of bonuses when under 'bailed-in/out'. Utility status or split-up when 'too big too fail', and more.

Practical measures that can be implemented EU wide.

Quote from Wikipedia;

*Debt bondage has been described by the United Nations as a form of "modern day slavery". Debt bondage (also known as debt slavery or bonded labour) is a person's pledge of their labour or services as security for the repayment for a debt or other obligation. The services required to repay the debt may be undefined, and the services' duration may be undefined. Debt bondage can be passed on from generation to generation.*

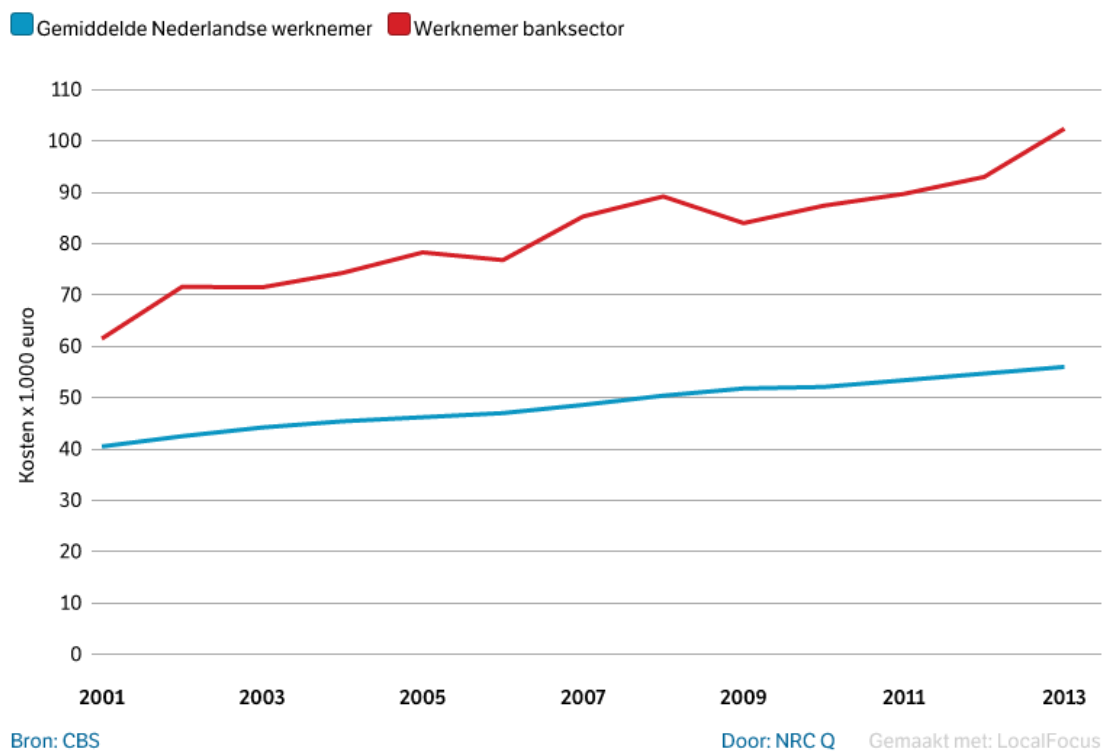
The premise of this paper is that 'Debt bondage' is what most everyone present today lives under. We are all servicing our government's debts that were passed on to us by previous generations. On top of that we are servicing our own debts, such as student loans and mortgages.

There is a debt bondage apartheid going on, though we don't call it that and most don't recognise it as such.

The Dutch bank ABN AMRO stated on their website about a 2014 20% wage increases; *'Despite these raises they (sub-top management) will suffer a decrease in income between 5% and 10%. ABN AMRO raises wages in anticipation of new laws restricting bonuses'*.

Statistics show that in 1987 an average bank employee in the Netherlands earned 18% more than an average Dutch employee. In 2014 that bank employees earned 87% more.

Totale beloning per arbeidsjaar, inclusief alle werkgeverslasten, x 1.000 euro



This graph illustrates the total costs of an employee, over time from 2001 to now.

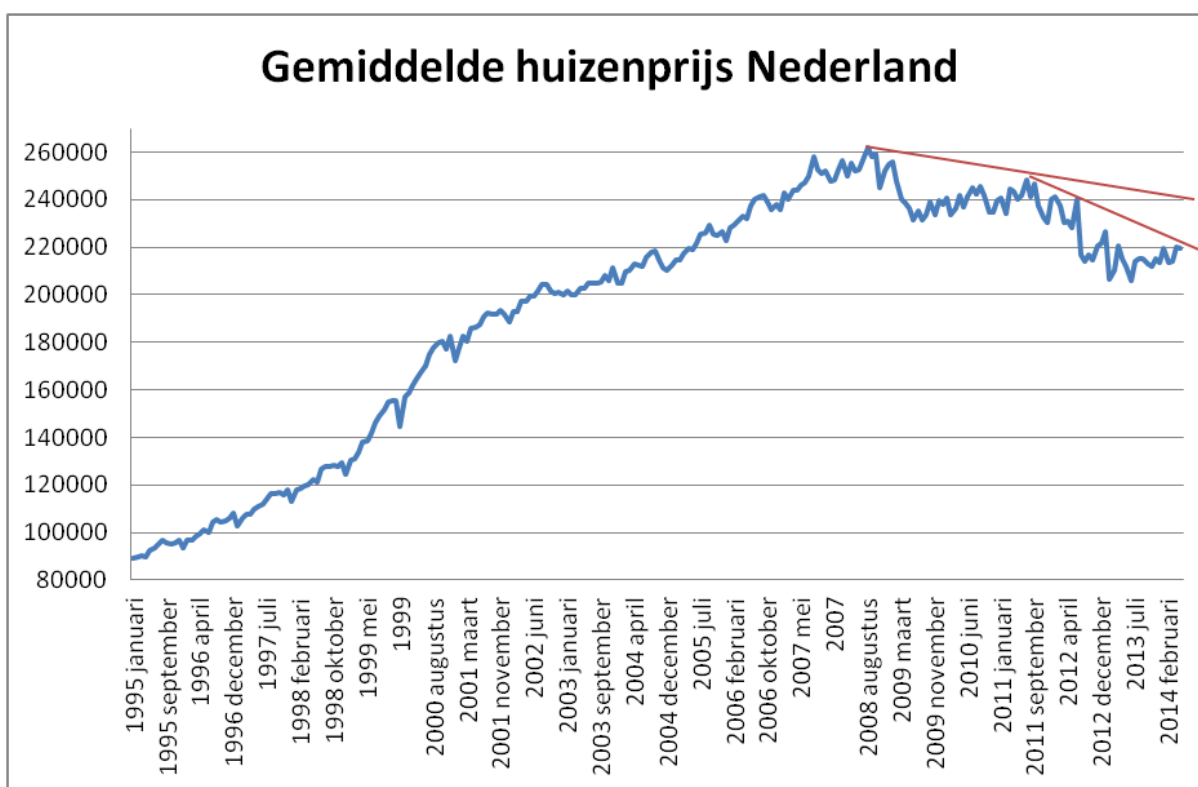
I have no problem with a commercial company rewarding their employees handsomely. Also a royal bonus structure for me is no problem at all. If a company does better than another in a level playing field those people working there deserve a fair reward for their labour.

In the Netherlands a couple of banks including ABN AMRO came close to a default during the 2008 credit crisis. Liquidation was prevented however through state intervention. Had they been any other company they would have been let to default.

According to the Dutch government the reason for 'saving' the banks was that they were too important to our society; they were 'too big to fail'. Saving the banks meant transferring bad loans liability from the banks onto the state and thus the tax payer. The collective debt levels of citizens as a result of that have increased substantially.

Even though some of those banks are still on life support today, the banker wages have gone up more than average since 2008. More importantly, they claim to deserve the raise and they justify by calling it a 'pay-cut'.

The 2008 crisis is called a credit crisis. Instead of writing off bad debts, they were repackaged in financial products to make them appear more attractive. They were subsequently sold through. Those debt products were later exposed and that caused the cascading collapse. Not only did banks loan out more than was sustainable, they tried to hide the fact and tried to make money off it.



This chart illustrates the average price of a house in the Netherlands from 1995 onwards. In retrospect we can conclude that like the Netherlands a lot of countries went through a similar housing bubble. If you observe longer trends you might even argue the Dutch are now only halfway through deflating their bubble. Mortgage banks in 2014 however claim that house prices are on the rise again and we're even safe to start lending and buying again. In the UK there's 'help to buy'. In the Netherlands, it's called 'starterslening'. Different countries invented different ways to reflate the housing bubble.

When I purchased my house in 2007 I was not aware of a housing bubble. The course of events in the global economy since leads me to three conclusions;

- I was not savvy enough to make the financial decisions I made and was encouraged to make;
- My bank either lied to me in 2007, or they didn't know housing was in a bubble;
- Mortgage banks are still lying to their customers today, or they have not learned anything from the last 6 years;
- Governments today try to reflate a bubble that nearly destroyed the financial system on a global scale in 2008.

Over the last couple of years the amount of student loans in the US have increased dramatically. In 2014 a new student lending scheme was also introduced in the Netherlands. If you have a desire to educate yourself through schooling you will most likely need to take on debts you might never be able to pay off. No debt means no education.

These examples illustrate that as a result of actions by bankers and governments we are today far more indebted than we were before 2008 and we had no choice in that change. More importantly bankers and governments are still working to increasing individuals' debt levels today.

What is happening today is not unlike what happened to the slaves of old under 'debt-bondage'.

To summarize;

Our elected governments and appointed bankers allowed the credit crisis of 2008 to take place. They since allowed the root cause of the problems to endure. Now six years down that road the debt levels have increased and as a direct result our individual freedom are eroding in an ever increasing fashion. I feel bound by my mortgage. I see new homeowners bound by new mortgages. I see new students bound by student loans.

What's next;

- Some argue this thing we're going through is cyclical and we'll see growth return. This appears to be the official government and central bank position;
- Others suggest there are all kinds of ways our current economic and financial system will collapse in on itself. There are some that think this is unavoidable;
- There are conspiracy theories that claim 'the powers that be' intentionally created the current financial apartheid through debt bondage. And that they'll work to gain an even firmer grip after such collapse would occur.

I believe the issues of our time are structural and non-cyclical. If we carry on on the current path we will allow a further eroding of our individual liberties to the point where we'll no longer be able to call it a democratic society. The measures taken so far by governments and (central) banks have made no improvements to the root cause. Instead they reinforced the old power structures and increased debt levels. If anything; they made things worse.

What to do to start make things better is take away the 'root cause';

Society and individuals are being held hostage by debt though banker greed. Some would argue that we therefore need to eradicate debt altogether, or ban interest on debt, or ban fractional banking or reinstate a gold standard. These may or may not be good arguments for a philosophical debate but I want to look at measures that can be realistically implemented in the current state of our society by currently elected officials. I'm not discussing what would be best in the long run, I'm discussing what would be best either way if we do it right now.

As the root cause is a lack of self-regulation among bankers and of regulatory measures through governing bodies, the core solution might lie simply in slightly changing the rules to the banking game; 'if you want to play bank, you have to play by these rules'.

## Suggested measures;

- Failure to observe any of below rules will result in a bank losing its bank license;
- Criminal cases that include banks may not be settled but must be brought before a court of justice;
- Pay for all employees including board members of banks that are operating on state support (through the bail-out measures or nationalization) may not exceed 130% that of the pay of that country's ministers. In Holland this is called the 'Balkenende norm' named after the prime minister that instated this rule for all government paid officials in 2006;
- All bank bonus schemes are suspended until a bank's bail-out measures are repaid in full;
- If a bank is considered too-big to fail it is to be considered a utility bank and the 'Balkenende norm' applies also;
- All banks' possessions and liabilities including central banks and ECB possessions and liabilities must be in their books on a mark to market basis. This includes real estate, gold, stocks and derivative products. A clear distinction needs to be made when an asset is owned or a derivative of that asset is owned. For example a physical bar of gold and a claim on a bar of gold are two different things. These reports are made public on a yearly basis;
- The capital reserve demands of a bank of at least 3% consists of hard assets only, such as real estate or gold. Financial derivative products do not count. Until such time that this is accomplished the Balkenende norm applies;
- The ECB will put all licensed banks through yearly audits to verify these rules are followed by licensed banks and to confirm a bank is not 'too big to fail'. Audit reports are made public within six months of the audit;
- Banks that pass the yearly audits will no longer be regulated by the Balkenende norm measure or bonus limitations.

## How do we get these measures implemented?

These need to be measures that common citizens in Europe can easily understand and relate to. Measures that would benefit society no matter how the future unfolds and that can be implemented by our currently elected governments. Whether they are willing or not, the few people leading today are still subjects to the many that is society. That's democracy and it's time we call it to work.

I propose all pirates and likeminded spirits to promote a common set of measures such as proposed here throughout the EU. It matters not if they have elected representatives in current government bodies or not. What matters is if they can generate momentum throughout the EU population. Our current elected leaders will follow-up on these measures if the people will it.

The objections;

There will be denial, mocking and opposition. A few I will address here;

- 'we will lose talented bankers through these measures'
  - o Those talented bankers got us in the current situation and did little to address the root cause. How would losing them make matters worse?
  - o We may even need a new generation of bankers to get anything done as we're changing the essence of banking
- 'if we disclose the true position of banks, they may default'
  - o That would illustrate that the true positions of banks are not sustainable. The fact that those banks are still in operation even though they may operate like zombies, illustrates current crisis measures are insufficient and something needs to be done even if it means default
  - o In case of a default of too big to fail banks, they may need to be nationalized after the bail-in procedures have been implemented. That would increase public debt. That would prove extremely painful but still be better than to endure a further deterioration
- 'these measures do nothing to solve said problems of debt and debt bondage'
  - o This is true. The proposed measures intend to take away the fuel that is banker greed and by doing so may extinguish the fire

The longer term;

Anyone reading this six page paper on short term bank reform. Take a moment to reflect and decide if there are measures that;

- You do not understand fully;
- Would have a negative impact on individual liberties;
- Would make things worse for our shared economy, liberties or society compared to where we are in 2014.

Convince your elected leaders to implement these changes using all means at your disposal. If you have additions, make them known throughout your community. If you have political ambitions consider making these suggestions part of your program.

Quotes;

[http://en.wikipedia.org/wiki/Debt\\_bondage](http://en.wikipedia.org/wiki/Debt_bondage)

<http://www.abnamro.com/nl/newsroom/nieuws/abn-amro-versobert-inkomen-management-groep.html>

<http://www.balkenendenorm.com/>