

Australian Labor Party's populist call for an inquiry into the banks

Mike Head
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With an election due this year, opposition Labor Party leader Bill Shorten announced last Friday that a Labor government would hold a royal commission into “misconduct in the banking and financial services industry.”

Shorten feigned outrage at an “ongoing range of scandals and high profile consumer rip offs,” saying: “Enough is enough.” At the same time, he said the purpose of Labor’s inquiry would be to restore the “trust and confidence” of Australians in the same “banks and financial institutions.”

The remarks are utterly two-faced. On the one hand, Shorten is making a populist pitch to disaffected voters, by claiming that a Labor government would stand up for ordinary people against the predations of the wealthy elite.

Just 10 months ago, Labor voted against such an inquiry, lining up with big business to denounce it as a “political stunt” by the Greens. Now, confronted by deepening public hostility toward the financial elite, the banks in particular, it is seeking to divert that anger back into safe parliamentary channels.

Labor is conscious that the so-called Panama Papers, documenting tax evasion and wealth concealment by the rich and powerful on a global scale, assisted by the banks, has intensified the disenchantment caused by a series of scandals involving Australia’s major banks.

The Australian Council of Trade Unions (ACTU), which is trying to corral workers back behind the election of another Labor government, welcomed Shorten’s announcement and voiced similar concerns. ACTU secretary Dave Oliver said: “The Australian banking and financial sector has lurched from scandal to scandal, eroding public confidence in what should be the foundation of all economic activity in this country.”

Behind this populist façade, Labor is trying to

convince the corporate and media establishment that a Labor government would be better able than the current Liberal-National Coalition to contain the public discontent, and shore up the financial industry. Shorten underscored Labor’s commitment to the banks by stating: “Australia has one of the strongest banking systems in the world and Labor wants to make it even stronger.”

Labor’s announcement compounded the tensions gripping Prime Minister Malcolm Turnbull’s government. At least eight government parliamentarians have publicly supported, or said they are open-minded about, a royal commission, reflecting in part the seething anger in their constituencies and their fears of losing their seats.

These responses directly undercut Turnbull and Treasurer Scott Morrison, who immediately dismissed Labor’s call. The public differences also highlighted the wider rifts appearing within the Coalition over how to impose the deep austerity measures demanded by the corporate elite amid a rapidly worsening economic situation.

Profiteering led by Australia’s big four banks—the Commonwealth Bank of Australia (CBA), Westpac, ANZ and National Australia Bank—has devastated the livelihoods and lives of thousands of people over the past period.

Among the recent revelations are that the CBA’s insurance arm, Comminsure, relied on outdated medical criteria to deny claims to ill patients, including heart attack victims, and allegations by regulators that ANZ and Westpac rigged interest rate settings to boost profits at the expense of all bank customers. In addition, banks have been forced to compensate customers for wrongfully charging penalties for late credit card payments. There have also been many cases

of banks withdrawing support from small businesses and farmers, pushing them into bankruptcy.

These abuses were prevalent under the previous Labor government from 2007 to 2013, well before the Coalition took office following Labor's landslide defeat.

In 2014, a Senate report revealed that between 2006 and 2012 more than 1,000 CBA clients, including self-funded retirees, lost their savings because the bank's financial planning companies not only misled them into buying high-risk products but also fabricated documents, doctored clients' files and forged signatures.

These practices cannot be explained as isolated instances of "misconduct." They illustrate the increasingly predatory manner in which finance capital operates on a global scale, extracting profits via speculative activity, market manipulation and unscrupulous dealings with borrowers.

Such operations have helped make Australia's four big banks the most profitable in the world, when compared to assets, according to the annual reports of the Swiss-based Bank for International Settlements. Last year, their combined profits of exceeded \$30 billion.

The banks' rapacious activities have proliferated despite a string of regulators that oversee them—the Australian Prudential Regulation Authority, the Australian Securities & Investments Commission, the Financial Ombudsman Service, the Australian Competition & Consumer Commission and the Reserve Bank.

Labor's call for a royal commission is vague, with no suggestion of any action being taken against the banks, let alone any charges being laid. According to Shorten's media release, the inquiry will examine issues such as "how widespread instances of illegal and unethical behaviour are within Australia's financial services industry" and "comparable international experience with similar financial services industry misconduct and best practice responses to those incidents."

The Labor governments between 1983 and 1996 were central to the pro-market restructuring and deregulation of the Australian economy that laid the basis for the wave of speculation and profiteering that followed. Labor sold off the Commonwealth Bank of Australia

(CBA) between 1991 and 1996 as part of its broader privatisation agenda. In the wake of the 2008–09 global financial crisis, the Rudd Labor government rescued the banks by guaranteeing their borrowings on world financial markets, on which they depend heavily.

As a result of the bipartisan support of successive Labor and Liberal-National Coalition governments, the largest four banks also enjoy protection from foreign takeover, access to cheap loans from the Reserve Bank and a Goods and Services Tax-exemption for financial services. Finance and insurance services receive tax concessions and budget assistance of \$961 million per year, according to the government's own Productivity Commission.

Despite Labor's intention of rehabilitating the finance industry's reputation, Shorten's announcement was vehemently opposed by the banks and the business media which reject any interference. The *Australian Financial Review* condemned "bank-bashing populism." An *Australian* editorial declared: "Labor's latest atavistic forays into financial and industry policy extend a worrying trend towards economic populism." It claimed that Labor's proposal was "already undermining the reputation of Australia's financial system."

These comments reflect fears in ruling circles that Labor is pitching to disaffection that could erupt out of the control of the political establishment. They also reveal a definite nervousness about the stability of the financial system. Over the past two years, the mining boom, which partly shielded Australian capitalism after the 2008 global breakdown, has collapsed. There are also signs that the property market bubble could burst, leaving the banks severely exposed to mortgage defaults, as well as renewed global financial turbulence.



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