

Australian banking inquiry backflip intensifies political crisis

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After 18 months of fervently opposing calls for a royal commission into the predatory practices of Australia's banks and other financial institutions, the Liberal-National Coalition government was yesterday forced to announce such an inquiry.

The extraordinary political about-face points to a long-developing and deepening crisis not just of Prime Minister Malcolm Turnbull's government but the political establishment as a whole.

Just 24 hours after again opposing such proposals and insisting that his government would not countenance them, Turnbull hurriedly convened a 9am media conference to declare that a \$75 million inquiry was a "regrettable but necessary action."

Most immediately, the government faced defeat in the House of Representatives next week, possibly calling into question the government's survival. Disgruntled members of the Coalition's rural-based National Party had signalled their readiness to vote for a Senate bill, backed by the Labor Party, the Greens, One Nation and other right-wing populist senators, to conduct a parliamentary inquiry into the operations of the major banks.

Last week, Turnbull sought to stall such a move, or any other vote against the government, by suddenly cancelling this week's sitting of the lower house. But on Wednesday night, the country's four big banks sent an unprecedented joint letter to the government declaring it had to end the "political uncertainty" by holding an inquiry.

The letter, publicly released to the financial markets half an hour before Turnbull staged his media conference, revealed considerable nervousness about the economic and political situation. The "political uncertainty" was "hurting confidence in our financial services system, including in offshore markets, and has diminished trust and respect for our sector and people."

Echoing these words, Turnbull told the media that speculation about an inquiry was "moving into dangerous

territory where some of the proposals being put forward have the potential seriously to damage some of our most important institutions." An inquiry was essential to ensure "confidence and trust in the financial system."

Turnbull's statement itself reveals the fraudulent character of the proposed royal commission. Its purpose is not to lay bare the profiteering operations of the financial elite, which have ruined the lives of many thousands of heavily-indebted homebuyers, farmers and small business operators, but to conduct a whitewash that will seek to instil "confidence" in the banks.

Turnbull also insisted that the inquiry could not recommend compensation for any of the individual victims of the finance industry.

Quite blatantly, the government has moved to head off moves towards an inquiry that the government would not itself appoint and control. "This will not be an open-ended commission, it will not put capitalism on trial, as some people in the parliament prefer," Turnbull said.

No one in the parliamentary establishment had any intention of putting capitalism on trial. All its members are equally concerned to shore up the financial system, while cleansing its public reputation. As Labor's shadow treasurer Chris Bowen told the Australian Broadcasting Corporation's "7.30" TV program last night, Labor "wants profitable banks." Likewise, Greens finance spokesperson Senator Peter Wish-Wilson rejected Turnbull's allegation, saying the Greens are not socialists.

The Labor Party first called for a royal commission in April 2016. It was always intended as a means of placating and diverting back into official channels public hostility toward the rapacious operations of the banks and other finance houses, especially since the 2008 global financial breakdown.

Over the past two decades, the combined annual profits of the top four banks have risen almost 600 percent from \$5.4 billion to just under \$30 billion. These profits are

largely gouged via predatory lending, exorbitant fees and interest rates, foreclosures on homes, businesses and farms, and the elimination of thousands of finance sector jobs.

The country's largest bank, the Commonwealth Bank of Australia, was privatised by the Hawke and Keating Labor governments during the 1990s. Its record alone has included official allegations it broke anti-money laundering legislation more than 53,000 times; a life insurance regime that used outdated definitions of heart attacks to deny claims; financial planners selling poor advice; and the bank's 2009 liquidation of Storm Financial, a bank-funded financial advice company that caused thousands of people to lose their homes.

Far from being aberrations, these practices are bound up with the ever-more destructive and parasitic character of the financial markets, whose mega-profits internationally derive from speculation and market manipulation, not economic production.

The royal commission's terms of reference are designed to exclude any examination of these underlying features. They speak only of "misconduct" that falls below undefined "community standards and expectations." In particular, they exclude "macro-prudential policy, regulation or oversight." Thus, there will be no probe of the funding guarantees that the government provides to the banks, which rescued them in 2008 and which enable them to borrow on global markets at low rates.

In fact, the inquiry is intended to open up new exploitative opportunities for the banks by specifically targeting the industry superannuation funds on whose boards trade union officials currently sit. The banks have long eyed these funds, with assets totalling around \$1.5 trillion, regarding them as barriers to their expansion in this lucrative field.

Despite the contrived and narrow nature of the inquiry's terms of reference, the global credit ratings agencies—Fitch, Moody's and Standard & Poor's—voiced concerns that the exercise could undermine investor confidence. They warned that rises in international interest rates could trigger a fallout in Australia's property market, where household debt levels are among the highest in the world.

Of even greater concern in ruling circles is that Turnbull's backflip demonstrates that his government has lost political control. "The cave-in further enfeebles Mr Turnbull's tenuous hold on leadership and undermines his government's authority," today's editorial in Murdoch's *Australian* declared. The *Australian Financial*

Review said it was "a case study in loss of government authority."

In the short-term, the government has lost the one-seat majority it barely managed to hold after last year's double dissolution election. That is because of the disqualification of two government members of the lower house, including deputy prime minister and National Party leader Barnaby Joyce, as part of an ongoing nationalist witch-hunt against MPs holding dual citizenship.

Even if Joyce wins a by-election this Saturday to regain his seat, the government's unravelling is likely to worsen next week. Next Tuesday is the deadline set by the government for all members of parliament to lodge documents proving they are not entitled to citizenship of any other country.

An unknown number of MPs may be ejected, including government members, ending its majority and perhaps its survival, or at least forcing a destabilising series of by-elections.

Beneath this instability, only partly reflected in the popular anger toward the banks, is the intense antagonism of millions of people toward the corporate and political establishment, which has mounted decades of attacks on working class jobs, living conditions and basic services.

The citizenship witch-hunt, based on demands that MPs must owe "undivided loyalty" to the Australian nation state, combined with accusations of "disloyalty" directed against Labor Senator Sam Dastyari for alleged links to China, is a bid to divert these explosive social and political tensions outward against a foreign "enemy"—China.



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