Australian banking revelations fuel political crisis

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Continuing evidence of systemic illegal fee-gouging and other financial abuses by Australia's major banks and finance houses is deepening the crisis of the Liberal-National Coalition government and the political establishment as a whole.

Over the past three weeks public outrage has mounted as damning revelations have emerged from hearings conducted by a royal commission into financial services. The country's four big banks and AMP, a major finance firm, are now notorious for levying fees for no services, knowingly charging fees for up to a decade after customers have died, and giving misleading financial advice that caused people to lose their homes.

With weeks of hearings still to come, it already has been proven that the financial giants manipulate interest rates, forge customers' signatures or require them to sign blank documents and lie repeatedly to corporate regulators. It is also clear that regulators have permitted them to continue their predatory activities.

None of these abuses can be explained, as politicians and the corporate media have sought to do, as the activities of individual rogues, corrupt officials and super-greedy financial advisers. Such practices are the inevitable result of business models, set from the top, designed to extract ever-greater profits, aided by the complicity of successive governments, both Coalition and Labor, which have protected the banks for decades.

In a belated act of damage control, Prime Minister Malcolm Turnbull yesterday expressed shock at the "unacceptable behaviour" of the banks and said it had been a political mistake to oppose calls for a banking royal commission for two years. Speaking from Germany, he told reporters: "When you say the government would have had less political grief if it set up a royal commission, you are right, clearly with the benefit of hindsight."

Turnbull's comments signalled yet another about-face by his increasingly faction-riddled government. For days, senior ministers, including Treasurer Scott Morrison and Financial Services Minister Kelly O'Dwyer, had repeatedly insisted that the government had been correct to condemn previous proposals for such an inquiry as irresponsible "rubbish." They had also declared that the royal commission had produced nothing new that the government had not previously rectified.

Last December, the government made an extraordinary back-flip to announce the royal commission. Fearing for their political survival, members of the Coalition's rural-based National Party had threatened 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 banks.

The royal commission was designed as a whitewash of the banks and a defence of the underlying capitalist profit system, as well as a political fix for the government. Turnbull said an inquiry was essential to ensure "confidence and trust in the financial system." He added: "This will not be an open-ended commission; it will not put capitalism on trial." The sheer volume of evidence has shattered those hopes.

But Turnbull's motivations were shared by the Labor Party, which first joined calls for a royal commission in April 2016. An inquiry 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, which have grown to new heights since the 2008 global financial breakdown.

There were already mountains of evidence against the banks. A prime example was the country's largest bank, the Commonwealth Bank of Australia (CBA), which was privatised by the Hawke and Keating Labor governments during the 1990s. Its record alone included using outdated definitions of heart attacks to deny insurance claims; selling disastrously poor advice via financial planners;

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and liquidating Storm Financial, a financial advice company, in 2009, so that thousands of people lost their homes.

Over the past week of hearings, which featured AMP, it has become even clearer that these scandals were the tip of an iceberg. For instance, testimony revealed an internal AMP report saying that informing customers they were paying fees for no service would be "a very negative customer experience."

Then it emerged that financial planners were paid up to 44 percent of the revenue they pulled in for the finance firms, including by pushing clients into expensive life insurance. Massive profits have been generated by such means. More than two million Australian residents currently pay a combined $4.6 billion a year for financial advice.

Behind the political posturing over the royal commission, Labor governments are, above all, responsible for these extortionist operations. During the 1980s and 1990s, the Hawke and Keating governments responded to the globalisation of production and finance by deregulating the money markets and selling off the CBA.

In 2008, the Rudd Labor government shored up the big four banks, which faced potential disasters because of their dependence on foreign funds, and underwrote their borrowings. This allowed the CBA, Westpac, ANZ and National Australia Bank (NAB) to tighten their oligopolistic grip. By the middle of 2009, they were capturing nearly 100 percent of new housing mortgages, up from 60 percent before the crash.

During 2012, in a bid to quash rising discontent, the Gillard Labor government enacted Future of Financial Advice (FOFA) laws to ban a limited range of commissions paid to lure loan customers. The banks and finance companies easily found ways around these measures, knowing they would not be prosecuted. Between 2012 and 2015, financial planning fee revenue rose 110 percent at AMP and 39 percent at CBA.

In the past two decades since the privatisation of the CBA, the combined annual profit of the four banks has risen almost sixfold from $5.4 billion to just under $30 billion. These profits are largely obtained via predatory lending, exorbitant fees and interest rates, foreclosures on homes, businesses and farms, and the elimination of thousands of finance sector jobs.

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.

Finance capital dominates Australian capitalism. The country's seven largest authorised deposit-taking institutions (including the big four banks) hold roughly $4.6 trillion in assets—around two and a half times the size of Australia's $1.8 trillion economy, as measured by nominal gross domestic product. Another $1.6 trillion is held by superannuation funds, which are due to be examined by the royal commission in coming weeks.

No "reforms" or regulation can stop the abuses committed by the financial giants. Claims by one government after another to have established the "best regulated" financial system in the world are a total fraud. Treasurer Morrison desperately announced tougher penalties yesterday, but that was just for show. The industry regulator, the Australian Securities and Investments Commission (ASIC), imposes criminal penalties, typically minor, in just 10 percent of admitted cases of abuse.

The only way to end this ruthless exploitation lies in the fight for a socialist program that includes the expropriation of the banks and giant financial institutions. They must be placed under public ownership, with full protection for small depositors, and operated under the democratic control of the working class.

This requires the development of a political movement of the working class, in direct opposition to the pro-capitalist organisations such as Labor and the unions, fighting for a workers' government that will completely reorganise society on the basis of the needs and interests of the majority, not the obscene wealth of a tiny elite.

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