Australian government boosts bank profits as social misery deepens

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Bank share prices soared yesterday and money lenders and property developers celebrated after the Australian government announced it would wind back "responsible lending obligations" introduced after the global financial crisis (GFC) of 2008–09.

In a bid to satisfy the appetites of the financial elite in the midst of the most severe economic crash since the 1930s Great Depression, the changes would see a return to the predatory lending policies that fed into the GFC and led to the impoverishment of thousands of households, small businesses and family farmers.

The *Australian Financial Review* reported today: "The Morrison government's pledge to roll back responsible lending regulations and red tape sparked a monster rally in bank shares on Friday as major institutions, fintech challengers and mortgage brokers united to welcome the landmark reforms."

On this front, as with massive income tax cuts for the rich and workplace "reforms" to gut workers' jobs, wages and conditions, the ruling class is seizing on the social misery created by the profit-driven official response to the COVID-19 pandemic to restructure economic and class relations even further in favour of the wealthy.

The proposals would allow the banks and other lenders to legally rely on the credit and income information supplied by mortgage and small business loan applicants, replacing the current rule of "lender beware" with a "borrower responsibility" principle.

In other words, those who face financial ruin as a result of being enticed or pressured into taking out loans that they then cannot repay, due to unemployment, wage cuts or small business failure, will have no recourse from the finance houses responsible for their plight.

This is under conditions where more than 1.5 million households are under mortgage stress, with rising mortgage arrears and defaults. Despite record low interest rates, more than 102,000 households are at risk of losing their homes in coming months.

That is because governments and banks are ending pandemic repayment moratoriums, at the same time as the government is slashing JobKeeper wage subsidies and expanded JobSeeker dole payments that have allowed at least five million households to barely survive the mass unemployment since March.

Data from Digital Finance Analytics (DFA) shows that by August, the mortgage stress rate had risen to 40.1 percent of borrowers, or 1.5 million households. DFA defines mortgage stress as when household cash flows are negative.

DFA, a company that tracks housing stress levels, also reported that rental stress was widespread, with over 41 percent of renters (1.7 million households) struggling to afford their rent. Young growing families and urban households were the most impacted, with 74 percent of young families under rental stress.

Moratoriums on rental evictions are also starting to end, state-by-state, from the end of this month, so large-scale evictions are likely, as in the 1930s.

The planned lending changes will overturn the very first recommendation of the 2017–19 federal banking and financial services royal commission, which was that the government should not amend the National Consumer Credit Protection Act's obligation on corporate lenders to assess applicants' capacity to repay loans.

The Liberal-National Coalition government only initiated the royal commission in November 2017 after years of outrage over the rampant profit-gouging by the banks and financial institutions. The resulting report was largely a whitewash that put none of the guilty on trial, and shored up the capitalist profit system itself. Nevertheless, among the practices exposed by the inquiry were:

• Lending to distressed small businesses and farmers and then driving them into bankruptcy and seizing their assets.

• Residential mortgages, personal loans and credit cards being extended to people who could not afford to realistically repay them without enduring severe hardship.

Well before the pandemic accelerated the social crisis, soaring housing prices and declining real wages had seen household debt-to-income levels double since the early 2000s to an unprecedented 200 percent, among the highest in the world.

True to its pro-big business program, the Labor Party opposition quickly signaled its readiness to back the lending legislation. Labor's Treasury spokesman Jim Chalmers said his party would wait to see the bill before deciding on its support, while covering himself by saying Labor wanted to make sure "people don't get in over their heads."

As consumer groups explained, however, that is exactly what will happen. Financial Counselling Australia chief executive Fiona Guthrie said "removing responsible lending obligations will free banks up to aggressively push credit onto their customers."

"As we learnt to our cost during the GFC, weaker lending standards mean people will be loaded up with as much debt as possible. There is significant profit to be made in pushing borrowers to the edge."

The banks, represented by Australian Banking Association CEO Anna Bligh, a former Queensland state Labor premier, echoed the government's propaganda, saying the changes would reduce the "burden of regulation," "cut red tape" for consumers, make loan approval times faster, and assist lending to small businesses.

Yesterday's editorial in the Murdoch media's *Australian* newspaper was more blunt. It hailed the proposals, saying "responsible lending laws imposed during the global financial crisis will be jettisoned to inject an 'adrenaline shot' into the economy."

In fact, the government's announcement sent a wider signal of the ruling establishment's intent to give the financial aristocracy further "adrenaline shots," on top of the more than $400 billion in subsidies, tax concessions and cheap loans already made available to business since March.

Earlier in the week, Reserve Bank of Australia deputy governor Guy Debelle said the central bank was ready to cut its record low cash rate of 0.25 percent, and escalate its "quantitative easing" bond buying, in order to pump money into the financial markets.

Just a day before unveiling the lending measures, Treasurer Josh Frydenberg also announced "the most significant reforms to Australia's insolvency framework in 30 years."

These would "draw on key features from Chapter 11 of the Bankruptcy Code in the United States" to allow businesses with liabilities of up to $1 million an extra 20 days to attempt to either restructure their debts or "wind down their operations in an orderly manner."

Since March, businesses have been permitted to keep trading while insolvent but that provision will end on December 31, along with another cut in JobKeeper subsidies. This is likely to trigger waves of liquidations by small businesses and sole traders.

The Australian Bureau of Statistics this week shed further light on the Depression-levels of unemployment and underemployment that workers will continue to face. It revealed there were 843,900 people with a manufacturing job in August—the lowest on record since World War II and a 50,000 drop since the eruption of the coronavirus pandemic.

Manufacturing now accounts for just 6.7 percent of all jobs in the country. In 1984, as the Hawke Labor government began pro-market restructuring in partnership with the trade unions, almost 17 percent of people worked in manufacturing.

Only the retail, hospitality and professional services sectors have suffered larger falls in employment since the start of the pandemic, although these sectors have seen partial increases since May, mainly due to rising exploitation of part-time and casual workers.

In the looming October 6 federal budget, Frydenberg is expected to reveal a 2020–21 deficit of more than $200 billion, on top of an $85.3 billion deficit in 2019–20. This vast deficit—more than four times than that produced after the GFC—will be used by the corporate, media and political establishment to demand more austerity measures on top of the cuts to JobKeeper and JobSeeker, setting the stage for explosive working class struggles.