



Australian Citizens Party

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MEDIA RELEASE

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Government and banks hope royal commission storm will blow over—don't let it

Behind their public admissions that it was a mistake to oppose the Financial Services Royal Commission, the banks and their political stooges are already strategising how to ride out the storm. Specifically, how to resist pressure to break up the banks.

Talk is cheap, so don't be fooled by Turnbull's, Morrison's and O'Dwyer's public apologies and vows to crack down on banking crimes. You will see their intent in their actions, and the real test will be how they respond to the CEC's Australian Glass-Steagall legislation, the Banking System Reform (Separation of Banks) Bill 2018, which Bob Katter will introduce in Parliament as a private member's bill.

The royal commission has everyone talking about breaking up the banks, as it is the only way to stop banks from "advising"—actually luring—depositors into financial investment products created by the banks themselves.

Treasurer Scott Morrison and other bank apologists, though, are already sounding a note of caution. The 20 April *Sydney Morning Herald* reported that Morrison said calls to break up the banks "were premature and could impact on the economy. 'We have got to be careful as we go down this path that what we put in place *does not commit economic self-harm*,' Mr Morrison said." (Emphasis added).

By warning about the possibility of "economic self-harm", Morrison is ignoring that that is exactly what we have been doing already, by allowing the banks to run riot. They have created a property bubble which has made housing unaffordable for all Australians, exposed the nation to an oncoming ["economic Armageddon"](#), and left thousands of victims of mortgage fraud, bad financial advice, and dishonest insurance products in their wake.

Morrison is proving that his chief concern is for the banks, not the public, which Dick Bryan, emeritus professor of economics at the University of Sydney, observed in the 26 April *Sydney Morning Herald* is the way Australia's financial oversight is geared. "So Australia's regulatory framework is vigilant in ensuring that households don't create stability problems for the financial system", Bryan wrote, "but no regulator has a mandate to ensure that the financial system doesn't create stability problems for households." Bryan was writing about the fact that bank regulator APRA has long allowed the banks to assess the ability of borrowers to repay loans on the basis of the Henderson Poverty Index, i.e. borrowers are deemed able to afford loans even if they are living on bread and water, which has spread poverty to the middle class.

Another bank apologist, Graeme Samuel, the former chairman of the Australian Competition and Consumer Commission (ACCC), blasted the "self-anointed experts" who are calling to break up the banks. "I'm just bewildered, I really am bewildered, at people jumping to conclusions barely three weeks into a really important inquiry", Samuel said to the 24 April *SMH*, adding that "some" of those conclusions were of "enormous consequence" to the financial system. It was clear Samuel was talking about the calls to break up the banks, but he didn't want to be specific, because one of the "self-anointed experts" is his predecessor at ACCC, Professor Allan Fels, who has led the calls to end vertical integration. Another self-anointed expert is former Reserve Bank governor Bernie Fraser, who told the 26 April *SMH* he supported moves to end vertical integration. "I think there's such momentum now that changes are going to be made", he said.

Graeme Samuel is right that breaking up the banks is of enormous consequence to the financial sector. That is because since deregulation, the financial system has become completely oriented to speculation and looting. Even normal lending for mortgages is now a speculative gamble for the banks involving securitisation and derivatives, while they have no interest in lending for productive small businesses and farms. If people like Samuel don't think the financial system can handle the banks being separated so that they can't speculate and fleece their customers, that tells you what sort of financial system they are defending. Samuel has a track record of defending bad financial practices: when he was a Macquarie Bank executive in the 1980s he became notorious for advocating that insider trading should be legal.

In light of the royal commission, there are a number of actions that must be taken against the banks, including criminal charges, and forcing them to pay full compensation to their victims. Breaking them

up, however, is the most serious and necessary measure, to forever change the structure of the banking system that has allowed their abuses, so they cannot continue. Hence the pre-emptive opposition from vested interests, including the media. For instance, *SMH*'s European correspondent Nick Miller on 29 April reported the British experience of bank separation, and the claim by UK bank inquiry commissioner Sir John Vickers that "ring-fencing"—whereby banks separate their different functions but keep them under the same roof—"was a better solution than structural separation". Miller didn't report, however, on the intense 2013 debate in the UK parliament over ring-fencing in which a former City of London banker warned that it won't work, as "bankers are extremely adept at getting between the wallpaper and the wall". Nor on the fact that 445 members of the UK's Houses of Commons and Lords voted for an amendment to the ring-fencing law to turn it into a full Glass-Steagall separation. Nor that Sir John Vickers himself in 2017, four years after ring-fencing was legislated, warned that the banks were still vulnerable to a new crisis.

No, Glass-Steagall, which separates deposit-taking banks from all other financial activities, is the only effective way to break up the banks. This is the purpose of the Australian Glass-Steagall bill that Bob Katter will introduce. It will only be achieved by the Australian public demanding this change of their elected politicians. [Join the CEC's fight](#) to ensure the royal commission storm doesn't blow over, but that real change is imposed on the financial system in the form of a Glass-Steagall separation.

[Click here to sign and share the CEC's new change.org petition: To the Commonwealth Parliament: Pass Australian Glass-Steagall Bill to break up the banks!](#)

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