



Australian Citizens Party

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MEDIA RELEASE

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Where is Labor on Glass-Steagall?

Glass-Steagall is the only solution to the dangerous derivatives risk building up in Australia's banking system, and the conflicts of interests being exposed at the royal commission that enabled banks to exploit customers. The Glass-Steagall legislation that Bob Katter and Andrew Wilkie introduced in Parliament on 25 June, the Banking System Reform (Separation of Banks) Bill 2018, will separate normal banks with deposits, from risky financial speculation, and all other financial businesses, in which banks should not be involved. Glass-Steagall therefore is the only way to protect everyday Australians from financial disaster and from predatory banks. The question is, why is the Australian Labor Party—the party of working Australians which established the original Commonwealth Bank as the People's Bank—not leading the fight for Glass-Steagall in Australia?

Will Labor protect the banks, or the Australian people?

Right now, the Australian Labor Party is using delaying tactics on Bob Katter's Glass-Steagall bill. Labor MPs, such as Matt Keogh on 18 May 2018, are writing to their constituents that "In terms of the structural separation of banks, Labor will wait to consider the final recommendations of the royal commission".

In the same letters, the Labor MPs take credit for the royal commission, which is a bit rich, because Labor also delayed the royal commission, just for less time than the Turnbull government did. Right up until 2016, the ALP voted down repeated attempts in the Senate by the Greens and cross-benchers to establish a royal commission into the banks. Even National Party Senator John Williams crossed the floor on 24 June 2015 to vote for the Greens' motion, but as [Adele Ferguson reported in the Sydney Morning Herald that day](#), "Opposition Leader Bill Shorten and shadow treasurer Chris Bowen were not keen to help launch an investigation into the entire financial services sector".

Most of the cases of abuse being examined by the royal commission were well known at the time Labor was siding with the government to block an inquiry. The Coalition government is led by a banker in Malcolm Turnbull, and the Cabinet and senior positions are dominated by bankers, so their opposition to the royal commission was to be expected; what was Labor's excuse?

While Labor's backflip on the royal commission was welcome and absolutely essential to getting the royal commission up, they deserve credit only for delaying it less than the government did, and should not get away with now using the royal commission to delay Glass-Steagall. This delaying tactic is unacceptable. The royal commission doesn't report until at least next year, even later if Commissioner Kenneth Hayne extends the inquiry so it can be more thorough, which he should. With another global financial crisis looming and tremors in the Australian housing bubble that could lead to a banking collapse, Glass-Steagall is necessary now!

Myth of 'sound' banks

The problem with Labor is that they have subscribed to the myth that Australia's banks are "sound" and well-regulated, and that this is why they successfully negotiated the 2008 global financial crisis. In fact, Labor takes some credit for this, as they were in government during the GFC.

In response to the CEC's campaign against the bill giving "crisis resolution" powers to bank supervisor APRA to prop up failing banks in a crisis, Labor MPs, such as former Treasurer Wayne Swan on 27 November 2017, wrote in letters to constituents that "The Reserve Bank of Australia and APRA have responsibility for ensuring the stability and strength of the Australian financial system. We have confidence in the ability of these regulators and are therefore not considering Glass-Steagall style legislative measures."

The Citizens Electoral Council skewered the myth of APRA's safe guidance of Australia's banks through the GFC in a 7 December 2017 release, "[The Big Lie exposed! Australian financial system under APRA almost wiped out in 2008 GFC](#)".

Not only was it the Australian government's extraordinary guarantees and bailout money from the USA, and not APRA, that saved Australia's banks from collapse, but since then APRA has allowed the banks to double the size of the dangerous bubble in the housing market that will crash the economy when it bursts, and to go on a binge of gambling in risky derivatives, their exposure to which has soared from \$14 trillion at the time of the GFC to more than \$40 trillion today. Moreover, APRA has

allowed the banks to stop disclosing their actual exposure to this derivatives threat, which CBA, NAB and ANZ have all taken advantage of.

For its part, the RBA has kept interest rates at record lows, to keep fuelling the banks' lending into the housing bubble and derivatives speculation.

The ALP's "confidence" in the regulators is reckless, to say the least, and it is turning a blind eye to the looming dangers facing the Australian public and economy.

True Labor?

It makes absolutely no sense for Labor politicians worth their salt, and with even a modicum of their historical ideal of representing working class Australians, to not support Glass-Steagall.

First, the only people to actually oppose Glass-Steagall are the bankers who are desperate not to be cut off from the deposits that have fed their financial gambling, and their political stooges who are paid to represent their interests.

Second, Labor's counterparts in the UK Labour Party, and leading Democrats in the United States, are staunch proponents of Glass-Steagall. UK Labour leader Jeremy Corbyn and his shadow chancellor John McDonnell support bank separation, as did Corbyn's predecessor Ed Miliband, under whom most UK Labour MPs and Lords voted for Glass-Steagall in 2013. US Senators Elizabeth Warren, Maria Cantwell, and Bernie Sanders are leading the fight against Wall Street to restore the Glass-Steagall separation that Bill Clinton repealed in 1999.

Third, while Labor is the party that deregulated the banks, which led to the current financial dangers facing Australia, it is also the party of King O'Malley, John Curtin and Ben Chifley, which fought for the common good of the Australian people against the predations of the banking interests, the "Money Power". Either Labor sticks with the neoliberal policies started by Hawke and Keating that have been completely discredited in recent years, or they return to their roots and assert the common good over the banks. The ALP did show a flash of this commitment to the common good with their backflip on the royal commission in 2016—they should strengthen this impulse and support full bank separation. Anything less is protecting the banks.

Get your MP to support the Bank Separation Bill

- Write, email, phone or visit your federal MP to tell them they must support the Banking System Reform (Separation of Banks) Bill 2018. [Click here to download copies](#) of the bill and explanatory memorandum to send to them. Ask them to support a debate on the bill, so the government cannot block it from being debated, and then to vote for it.
- Forward this release to Labor MPs and Senators (lists available from the CEC's office), and to trade union members and offices, and challenge them to lead the fight to protect Australians from banking crimes and speculation through Glass-Steagall.