

Conditions ripe for bail-in; national bank now!



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Lead Editorial

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Australia's banks are in trouble. Recent reports show they are being hit hard by the economic crisis, forced to set aside larger provisions for loan losses, cancel dividend payments to shareholders and slash interest rates on savings accounts. Despite some improvement since March, loan deferrals are still about one-tenth of all loans. Bank earnings are down, with an income squeeze from low interest rates on loans, stunted credit growth and falling fees. NAB is restricting new mortgage credit to some borrowers due to uncertain employment conditions, as they face a "potential tsunami of non-performing loans", wrote Leith van Onselen for MacroBusiness on 10 August. This risks setting off a "negative feedback loop" in a housing market already in a tailspin. An August [Reserve Bank of Australia discussion paper](#) says there is an "extreme but plausible" scenario under which Australian house prices can crash 40 per cent.

On the back of this doomed-to-burst bubble, "mum and dad" investors who are losing out with term deposits at low interest rates and falling bank shares, are lured into investing in "mortgage funds", which are based on pools of mortgages combined with capital appreciation, at lucrative returns of 7.5-9 per cent. Likewise they are coaxed into bail-inable hybrid bonds at similarly high rates, which will be confiscated if bank capital falls below certain levels. But our government, in its response to the inquiry into the Banking Amendment (Deposits) Bill 2020—the bill which would explicitly rule deposits out of any bail-in— insists customers are well aware of the risks (Media Release, p. 3). At a time when Aussies are socking away any extra cash into deposit accounts (as reported by RateCity, according to the 9 August *Australian*); at a time when the government and corporate sector have pushed to suppress cash use on the false premise that it would spread the COVID-19 virus—the government is refusing to protect depositors from being bailed in to save the banks.

The ABC's Nassim Khadem noted that the economics committee's 24 August report concurred with the Treasury's and APRA's response to the bail-in bill, claiming deposits were already sufficiently protected. Khadem reported bill-sponsor Senator Malcolm Roberts' dissenting report, which slammed the committee for ignoring wide-spread community concern raised in nearly 200 submissions.

James Eyers, in the *Australian Financial Review*, cited the Citizens Party's (formerly CEC) role in the bill and response from the local Bank for International Settlements lackey: "APRA chairman Wayne Byres wrote to the committee on 29 July, objecting to its 'system stability' objective being characterised, by members of the CEC, as an alternative to depositor protection, that could be used to implement measures contrary to depositor protection such as the bail-in of deposits. ... 'APRA has never sought, nor supports, a "bail-in of deposits" powers'."

The debate is not over. This was clear when the committee's report was handed down in parliament and chair Slade Brockman took leave to add remarks of his own. He was interrupted by a breathless Labor party whip, who rushed back into the chamber to object and cut him off.

Reporting on developments in an interview today with Martin North's Digital Finance Analytics YouTube channel, titled "Which bank won't be bailed in?", Citizens Party Research Director Robert Barwick showed that only a government-owned bank is truly safe and can force the entire banking sector into line. It is the only institution which can fund an economic recovery equivalent to the task of rebuilding our nation. The RBA is urging state and federal leaders to shift stimulus spending into job-creating infrastructure projects, but they do not have the capability to do it on a sufficient scale without unleashing the power of national credit. We have built a cross-party coalition that is fighting for a new platform of banking policy to secure our future, and we must force all MPs to take notice.

In this week's issue:

- Fact: Morrison opposes legislation to absolutely protect deposits

- Unions and the Labor Party must fight for a national bank
- Morrison government's 'national security' hypocrisy exposed
- Who made China and Russia the enemy, and why?
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