



# Australian Citizens Party

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## MEDIA RELEASE

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### **Lower lending standards won't save the economy; invest through a national infrastructure bank!**

Prime Minister Scott Morrison and Treasurer Josh Frydenberg have had a panic attack over the collapse of credit growth in the Australian economy. Their solution however, to lower bank lending standards to encourage banks to make more loans, will be a disaster, and knowingly so as the disasters that led to the banking royal commission proved. The economy is reeling and does need more credit, but not for the housing bubble which is all the private banks like to lend for, and which creates nothing but debt. Instead, the government should establish a national bank that can direct credit into an enormous infrastructure investment program that starts to address Australia's \$600 billion-plus infrastructure deficit in a way that makes Australia a more productive economy and creates long-term, secure jobs in productive industries.

Reserve Bank of Australia (RBA) statistics shows that annualised credit growth has plunged to 2.5 per cent (compared with around 15 per cent in the five years leading to the 2008 global financial crisis). Credit for both housing and business is growing at around 3 per cent, but credit for investor housing loans has plunged to negative 0.7 (-0.7) per cent, and personal credit growth is negative 12 (-12) per cent. This plunge in credit growth amounts to tens of billions per month *less* bank credit being pumped through the economy as new money.

In response, Morrison and Frydenberg have panicked, but they have only one trick—mortgages. For two decades, successive governments and the RBA have shaped the Australian economy around a housing bubble, which has loaded Australians up with the second highest household debt in the world. With more than 65 per cent of their assets in mortgages, Australia's major banks have the highest exposure to housing in the world. The dirty truth is that this massive expansion of the housing bubble involved bad lending standards and even outright mortgage fraud, which caused the disasters experienced by thousands of bank victims that led to the banking royal commission.

Fearing the jig was up, even before the royal commission the banks started tightening lending for mortgages; however, the royal commission was very disappointing in its examination of mortgage fraud. It spent just a week and a half on cases provided by the banks themselves, obviously picked to put the banks in the best light, whereas Australia's leading bank victims' advocate Denise Brailey, founder of the Banking and Finance Consumers Support Association, insists it could have spent a whole year on mortgage fraud alone! The royal commission's final report was a wet lettuce; nevertheless, the banks' tightened lending had had an effect, and less credit flowing into housing saw house prices start to fall.

Since the 2019 federal election, Morrison and Frydenberg have been desperate to pump house prices back up again and expand the credit in the economy; their 25 September announcement that they are scrapping responsible lending laws shows just how desperate they are. "The royal commission may as well not have happened", Denise Brailey said to the Citizens Party. Adele Ferguson, the journalist who did the most to expose bank crimes, wrote in the 25 September *Sydney Morning Herald* that "the Morrison government's decision to trash responsible lending laws will inevitably result in a return to the bad old days of loose credit and a debt binge". Predictably, bank shares soared on the news.

#### **Make credit productive again!**

Instead of doubling down on the housing bubble and pinning all their hopes for the economy on the "wealth effect" of the flow-on from excessive mortgage lending, the government should think in terms of recapitalising the economy. Let the unproductive areas of the economy go and focus on investing in the infrastructure and industries that can make Australia a productive economy again.

For decades the Citizens Party worked with the late engineering professor Lance Endersbee, who applied his experience as a veteran of the Snowy Mountains Scheme and Tasmania's Hydroelectric Commission and dam construction in southeast Asia to developing a program of integrated national economic development that would position Australia as a supplier of agricultural and advanced manufactured goods to the growing markets in Asia. Lance's vision is captured in the 17 September *Citizens Insight* presentation: [An engineering great: Get on with it!](#)

Shane Condon has similarly developed [Project Iron Boomerang](#) as a way Australia could capitalise on

its unique advantages to supply steel to our fast-growing region of the world, creating 500,000 long-term industrial jobs. Great water projects such as the Bradfield Scheme in north Queensland and the Clarence River Scheme in northern New South Wales would expand agricultural production in inland Queensland and the Murray-Darling Basin. There are thousands of smaller local infrastructure projects all over Australia that have been put off for too long, but which would make Australia more productive and efficient and create hundreds of thousands of jobs. Many of these jobs would be in regional Australia, giving young families currently crowded into the big cities struggling to afford a house the opportunity for much better lives.

Whichever projects may be built, this kind of vision is possible with a national infrastructure bank. Money isn't the issue—there's \$2.7 trillion in Australian superannuation funds, \$700 billion of which is invested overseas, which the government can invite to invest in the bank for a guaranteed return. With \$40 billion of capital from super funds, the national infrastructure bank can lend at a conservative lending ratio of 8-10 times at least \$320 billion at low interest for productive infrastructure. In the long run it won't cost taxpayers a cent—the bank will make money, but more importantly, the economy will create real wealth.

The Citizens Party is developing legislation for Parliament for such a national infrastructure bank. To help make this vision a reality, [join our fight!](#)

[Click here to sign the petition: For national survival, Australia needs a national bank—now!](#)