

The war on bad banking



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Lead Editorial

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The Citizens Party is a leader in the fight to expose and clear out corruption and criminality in the financial system. Bad banking doesn't just affect the financial system, it loots the real economy and corrupts the political process, both domestically and internationally.



A California Public Banking Alliance event in August (p. 9). All over the world people are waging the war against bad banking, and for public banks. Photo: Screenshot

This war on bad banking is one of constant engagement. In the last 12 months, we have successfully fought back against the government's cash ban bill which was intended to trap Australians in the banking system so we cannot escape bad policies like negative interest rates and "bail-in". We worked with Senator Malcolm Roberts to introduce and establish an inquiry into the Banking Amendment (Deposits) Bill 2020 to end the threat of bail-in once and for all, which comes to a debate on 30 November. We have exposed "de-banking", which could lead to a class action lawsuit against the banks. And we have advanced the case for the policy that the corrupt banks hate most of all—national banking, whereby the government harnesses the power of banking not for maximum profit, but for long-term benefits to the real economy. There are strong grounds to suspect the banks have again demonstrated how much they hate the idea of competing with a public bank, in the premeditated and coordinated political ambush of Australia Post CEO Christine Holgate, who was in talks to establish an Australia Post bank.

Last December Bob Katter introduced the Australian Banks (Government Audit) Bill 2019, drafted by the Citizens Party, which is another front in the war on bad banking. The Bill would have replaced the discredited and corrupt Big Four global accounting firms with the AuditorGeneral as the auditor for the major banks. It coincided with an inquiry by the Parliamentary Joint Committee on Corporations and Financial Services into the Regulation of Auditing in Australia. That inquiry has just handed down its final report, on 11 November, and although the government which controlled the inquiry typically skewed its findings to protect the big accounting firms that protect the banks, the Greens put in a powerful dissenting report which echoed the Citizens Party's argument that, like the big banks, the big accounting firms should be broken up.

"[T]he Big 4 have been the handmaidens of neoliberalism", the Greens stated. "With one hand helping companies minimise their contribution for the public good, while with the other hand enjoying the fruits of the privatisation and outsourcing of public services.

"Yet, despite all their dominance—or because of it— they're not actually very good at their core job. Around one-in-four audits fail to meet the standard required, namely to obtain 'reasonable assurance

about whether the financial report as a whole is free from material misstatement'. Each and every failure is, prima facie, a breach of the law. Yet, the Big 4 continue to provide audit services and continue to enjoy the guaranteed revenue stream that is compulsory auditing by public companies."

The dissenting report continued: "Structural separation is the surest solution to the inherent conflict of interests that arise when a small cabal that has a monopoly over auditing gets three times the revenue for providing nonaudit work, not just for the same companies, but for the same industries in the same corporate regimes all around the world. These conflicts are institutional, and they are global. ... The Big 4 must simply be broken up."

The call to break up the Big Four accounting firms originated with a 2018 report commissioned by the Jeremy Corbyn-led UK Labour Party, "Reforming the Auditing Industry". That inquiry was led by accounting professor Prem Sikka, who for decades has fought to expose criminal banking and the structures used to cover up banking crimes, including offshore tax havens and big accounting firms. The war on bad banking is a worldwide effort. Our successes here against bail-in and for national banking won't just benefit Australia, but other countries too, including the USA (p. 9).

In this week's issue:

- Ask all Labor politicians: Why do you oppose protecting deposits from Morrison's 'bail-in'?
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