

Banks royal commission deepens divide between Coalition partners

Dennis Shanahan, The Australian, 12:00AM December 1, 2017

The Coalition government is turning on itself and turning itself inside out as it justifies the “rampant socialism”, “damaging”, “zero-public interest”, “lawyers’ picnic”, “crass populism” and “cynical politics” of a “costly and wasteful” royal commission into banking.

While the Turnbull government offers “financial certainty” as a justification for the backflip, the basic reason is it has lost its parliamentary majority, lost the faith of Nationals MPs and senators, lost the ability to persuade angry backbenchers not to cross the floor, lost prime ministerial authority and lost the politics to Bill Shorten. The minority Turnbull government has suffered a humiliating parliamentary loss while the House of Representatives was suspended to avoid such a loss.

For years, Malcolm Turnbull, Scott Morrison, Mathias Cormann and Kelly O’Dwyer, the economic and financial leadership team of the Coalition, have been arguing passionately, cogently, persuasively and endlessly against such a royal commission.

Yet faced with a defeat on the floor of the parliament next week, an intractable split in the Coalition, the obvious ramifications for Turnbull’s leadership and a reluctant acceptance of inevitability from the banks, they are now contradicting all their arguments just as passionately.

All the claims that such an inquiry is a waste of money, a waste of time, counter-productive, would delay real reforms, would damage the banks and was a cynical political exercise are being stood on their heads. It will only be \$75 million, it will report in a year, help assure the banks, will assist financial reforms and will provide political certainty.

The government reason for the backflip, after the banks, the Reserve Bank, the Treasury and prudential advisers talked to the Treasurer, is that it is better to take control of the process with a government-inspired royal commission and end “damaging uncertainty” for Australia’s financial system.

What was once the worst option is now the least worse option.

It's argued now that banks need certainty for foreign investors and were being hurt on the stockmarket.

The Prime Minister has opposed an inquiry as bad policy that would undermine the financial system and justified an inquiry to end "the speculation" that was undermining the financial system. "We have got to stop the banks and our financial services sector being used as a political football," he said. He railed against the Opposition Leader, the Greens and "other elements" for forcing the backflip only 24 hours after saying it wouldn't happen.

The Liberal anger was directed at "other elements", that is, Nationals senators and MPs.

This is the key to the political disaster and financial threat to the banks: Labor and Greens are in opposition and can do nothing without support from Coalition members; the opposition can rant and rave as much as it likes, it is the fear of the government not being able to stop an open-ended inquiry that creates the uncertainty.

Same-sex marriage has fractured internal Liberal and Coalition relations; the banking royal commission, in the wake of the LNP state election loss in Queensland, has cracked them wide open.