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# How Labor Can Win Back Victoria's Love

by Godfrey Moase

The point of a left-reformist administration of an inevitably limited tenure is to ensure that people can do tomorrow that which they cannot do today. This is its legacy – to leave office with people exercising more power collectively. This is something that no government of reaction can ever fully unwind. The evidence for this legacy can be found in the new rights ordinary people can exercise, the health of social movements, the strength of ordinary workers in the workplace (including trade union density), and relationships between people in relation to the resources they need to live their lives.

Herein lies the tragedy of selling off the commons – privatisation widens the scope of corporate control over the lives of Victorians while placing any countervailing good done with the funding at the mercy of a future Liberal government. Fundamentally it means that a future left-reformist government cannot do tomorrow that which it can do today.

To reverse this extractive approach to running Victoria, the first thing the government needs to do is halt its plans to sell off Land Use Victoria. Commodifying the very information the property market depends on will only worsen inequality in Victoria. It will be another tollbooth the corporate sector can set up to squeeze money from ordinary people.

There probably are not a lot of people losing sleep over the prospect of the 'asset recycling' of Land Use Victoria. But that is to miss the point: the sale of Land Use is not the ultimate goal, but rather a signal that the government is changing course.

A government looking to raise revenue to solve a problem or improve the lives of its citizens can do so in one of three ways – sell to the rich, borrow from the rich, or tax the rich. If the selling off of our public assets is to stop, it's time for Labor to tax the rich.

*Fortunately, there is one source of wealth that is entirely dependent on the vibrancy and welfare of the community surrounding it. It's a source of wealth that cannot be offshored or outsourced. It's land.*

A state government's decision to rezone land can result in large increases to land values and, as a result, windfall profits to large landowners and property developers. This opens the potential for property developers to use their relationships within government to make sure they get the best outcomes with respect to rezoning decisions, either by pushing for favourable outcomes on parcels of land that they already own or benefiting from insider information as to which land

they should purchase.

Rezoning decisions are a mechanism through which insiders and elites within Victoria use their positions of privilege to further entrench their status without giving back to the rest of the community. It is one way in which the economy is rigged. It, therefore, drives increasing inequality, corrupts our political system and perverts public policy-making. Some benefit while the rest of us pay for it.

It's a form of nepotism and corruption that sees insiders extracting billions of dollars from the population as a whole purely through rezoning decisions – and it's verifiable in the data. A statistical analysis of rezoning decisions in Queensland between 2008 and 2012 found those landowners who could be characterised as 'connected' owned 75% of land in rezoned areas.

Victoria might not have Queensland's white shoe

brigade but it has its own brown loafer legion.

Victoria has only recently lived through a case study of how connected landowners obtain windfall profits: in 2012, Guy, who was then Minister for Planning, undertook a snap rezoning of industrial land in Fishermans Bend without factoring in height or design controls. This led to a multibillion dollar unearned land value windfall for the area's landowners, many of whom had close ties to the Victorian Liberal Party.

Rezoning decisions are easy money if you have the right connections.

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*A rezoning windfall profits tax, a form of betterment tax, would ensure the uplift in property values from government zoning decisions be diverted towards services and infrastructure, which would in turn benefit every Victorian.*

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A betterment tax has a part to play in a broader narrative, too – that Labor is about empowering regular people to take back control of their lives instead of being subject to the whims of the big end of town. This will be especially effective if the resources currently being extracted from the common good can be directed towards Victorians re-establishing agency over their lives and their futures.

This sound policy also makes political sense. It can help to establish the Andrews government as being on the side of regular Victorians. It places Guy's record of rigging the economy (when planning minister) firmly in the spotlight for the next state election, and it sets up a popular set of antagonists for the rigging of the Victorian economy – property developers.

The action is in the reaction and the brown loafer legion of the property lobby will react badly to this decision. They will gear up for a fight. Such a response should be welcomed, as it will draw the election away from the Liberal Party's set play on 'African gangs' and volunteer firefighters.

As much as possible, Guy and his conservatives need to be publicly positioned as spokespeople for property developers. That's why Victorian Labor will need a swift follow-up for the betterment tax – a follow-up that is squarely aimed at showing the party's desire to clean up the political class.

This might take the form of a ban on the political donations of property developers in Victorian state and council elections. Queensland Labor Premier Annastacia Palaszczuk banned property developer donations in October 2017 after the Queensland Crime and Corruption Commission reported on disturbing conduct in the 2016 local government elections. The ban was in effect for the subsequent Queensland election in November, when Labor went on to win and form majority government.

This ban could build on the Andrews government's proposed cap of \$4 000 on donations over a four-year term. Once again, Guy is both on the public record as opposing the ban on property developer donations and has a dubious history of property developer donations. He will be forced into fighting on turf not of his choosing.

In addition, his tenure as Minister of Planning – when he was known as 'Mr Skyscraper' – would again form part of the November election.

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*All of this, however, is set up for what should be the defining policy of the 2018 election and the central plank of Labor's re-election narrative: the establishment of a new Victorian public bank, which could help drive regional equality and build a fairer economy.*

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Given the 1990 Tricontinental merchant bank disaster and subsequent collapse of its parent, the State Bank of Victoria, there will be those who think this move is tantamount to political suicide. After all, Tricontinental's \$2.5 billion collapse occurred in a context where it over-extended itself with high-risk loans free from any competent internal oversight. Moreover, the State Bank did not conduct any internal audits of its subsidiary. It was an epic failure of corporate governance. Its memory is wound up with the Pyramid Building Society depositor run, the performance of the Victorian Economic Development Corporation and the resulting downfall of the Cain/Kirner government in 1992.

The electoral trauma these episodes inflicted on Victorian Labor is in evidence in the Andrews government's economic strategy. The selling off of public assets to fund a progressive social agenda can be read as a maladaptive response to the Victorian economic crisis of the early 1990s.

The times, however, have changed.

Since Tricontinental and Pyramid collapsed in a wave of irresponsible lending, the Victorian public has witnessed the collapse of the entire global private banking sector in the 2008 Global Financial Crisis. The very survival of the Australian banking sector was only secured through the guarantee of the Australian state, and as a consequence a claim on the future revenue of taxpayers.

The Australian private banking system has taken this extension of public protection and acted in an entirely selfish manner. Bank profits are at record highs. Banking CEOs and senior managers are paid astronomical sums in salaries

and bonuses. And yet scandal and public rip-offs continue apace from dodgy financial advice and breaching money laundering laws to conspiracy to rig financial markets. Since the financial crisis, Australian banks have paid over \$1 billion in fines and compensation.

Australia's private banking system is awash with poor corporate governance, and the public knows it.

The popular anger directed toward the banking sector led the Turnbull government and the banks to run the white flag and accede to a banking royal commission. With the caveat that Turnbull and the banks have sought to escape with minimum damage through roping in the insurance sector and industry superannuation into its terms of reference, 2018 will pulse to a steady drumbeat of banking system outrages and crimes.

For all of this Westpac holds a \$200 million contract to provide banking services for the Victorian government, its departments and agencies. It is a contract that is due to expire on 30 September 2020.

This is a bank that has been charged by the Australian Securities and Investments Commission, with rigging and manipulating an interest rate used to price business loans in its own favour. This is a bank that has been ripping off its own clients through questionable financial planning advice. This is a bank that has loaned \$13 billion to the fossil fuel industry since 2008.

The Victorian government partly enables Westpac's behaviour by banking with it. Ergo, it is Victorian taxpayer money being used to guarantee loans to the fossil fuel industry and pay astronomical bonuses. This problem won't be fixed if the Victorian government simply chooses to use another major bank.

It can only be fixed by the founding of a new Victorian public bank. It should be a bank servicing the requirements of the Victorian government, its agencies and departments. The funds of the Victorian government should be managed by Victorian public servants with strict, democratic and transparent governance standards.

A thriving model for such a bank exists in the Bank of North Dakota. It is a state-owned bank with a conservative and sustainable model that has seen it through over 100 years that include wars, depressions and Republican administrations; adopting its structure would avoid any future Tricontinental scenario.

North Dakota's bank is not a public consumer bank as such, although it does also provide student loans. It only has one branch and minimal running costs. Only government departments and agencies can bank there. What it does is act as an anchor stone for a thriving cooperative and community banking sector in North Dakota. Part of its mission is 'to be helpful to and assist in the development of ... financial institutions and public corporations within the state'. As a consequence, North Dakota is the state with the highest per capita number of community banking customers across the United States. Regular North Dakotans indirectly interact with their public bank through local and community financial institutions.

The advantage of a public bank, established consistently with the North Dakota manner, is that it would have a more secure structure compared with the former State Bank. The new bank would not own any subsidiaries as such. It would not have a separate investment arm but a set of networked and conservative relationships with other Victorian community and cooperative financial institutions spread throughout the regions. Thus, the new bank would only be exposed to the failure of any one community institution to the extent to which it had loaned money to that individual institution. The centre, therefore, would hold through the failure of a number of other periphery institutions.

At the conclusion of the Andrews government's contract with Westpac, it could simply take the sums of money it would have given to one of Australia's big banks and use it to found a new public bank for Victoria's tax revenue. The move would not have to cost the taxpayer any additional funds. It could set up one branch office to support it for its own banking needs with a supplemental relationship with Bendigo Bank, Bank Australia or ME Bank for any remaining government retailing needs.

This would mean Victorians' money could remain in the state and be used to support community development in urban, suburban and regional areas. Given the right policy settings, a public bank could provide a powerful boost for economic democracy – an institutional support for workers and communities to set up cooperative enterprises and services and take back control of our lives.

In the context of the banking royal commission, Victorian Labor taking taxpayer money out of Westpac to found a new public bank should be the peak of the story of the 2018 election. It's the Andrews government standing up for the rest of us against the big banks.

A Victorian public bank sitting at the centre of a network of community banks from Warrnambool to Wodonga investing in the regions and the future is a legacy any reformist government can be proud of. It is a concrete action which can help Victorians regain control over their lives and their communities. It can provide additional revenue to support Victorian services and progressive social change. Most importantly, it is a reform that future governments can use to widen the scope of what's possible for Victorians.

The Andrews Labor government can win a second term through denying Guy's parasitic politics the fuel it needs to burn. To do so, however, it has to find the confidence to apply the Labor values of solidarity, democracy and equality to its economic strategy no matter who it upsets in the big end of town. The upcoming state budget in May is such an opportunity to change course by stepping back from its planned selling off Land Use Victoria, and introducing a betterment tax on

rezoned property as a more long-term source of revenue. A follow-up ban on property developers making political donations can further the public scrutiny of Guy's actions in rigging the Victorian economy in favour of his donors.

Finally, a new public bank should be the centrepiece reform taken to the November election. This is a reform that can show the Victorian public that they can elect a Labor government that will be strong enough to rebalance economic power away from capital and towards people around the state. It signals that this is a government worth voting for and defending despite the inevitable weak points and mistakes.

When the Victorian public feels like Labor is on their side against the Collins Street elite of bankers and property developers, and that in this struggle Labor is actively helping them to regain control over their lives and their communities, then the Andrews government will be back on course to safely reach a second term.

Eventually, however, government will be lost. The Andrews government shall pass and its legacy will be imprinted in the capacity of the next generation of Victorians fighting for change. The nature of that legacy is open to contestation.

*This article is the final in a three-part series. Read 'Part One: Victoria's lost love for Labor', and 'Part Two: Victoria's lost love for Labor: firefighters and unions'.*

<https://overland.org.au/2018/02/how-labor-can-win-back-victorias-love/>