Learn from New Zealand and Japan on postal banking

By Elisa Barwick

With many Australians unable to access adequate banking services, in August the Communications, Electrical and Plumbing Union of Australia (CEPU), working with the independent think tank Per Capita, proposed that the 6,990 Australia Post branches, already used for banking services, be transformed into a public bank. This would also "underpin the ongoing viability of Australia Post's services across Australia", stated the report entitled "Postbank: Filling a Void, Securing Essential Services".

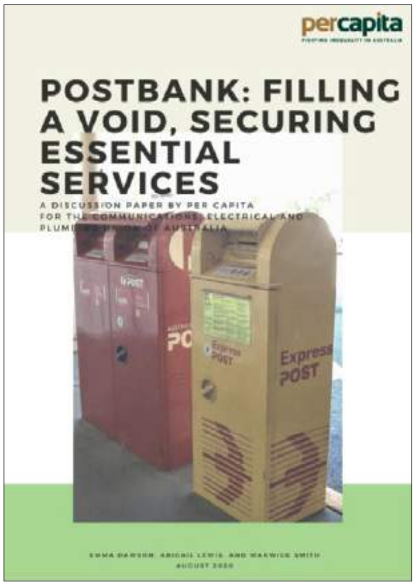
For a leading union to speak in favour of the national bank solution is a big breakthrough. Furthermore, the proposal is presented in the context of the historical fight for national banking in Australia through creation of the original Commonwealth Bank. This was a fight which took on the City of London centred "Money Power", which we are right up against again today, with its extension in the Bank for International Settlements and Financial Stability Board, which is leading the push for a global "bail-in" regime to confiscate people's savings in order to save the bankrupt financial system.

"The story of the Commonwealth Bank of Australia (CBA) is a dramatic illustration of the enormous potential of public banking as well as a warning of the private opposition to it", the Per Capita paper declared. "Two of the key figures in the establishment of the CBA were its first governor, Denison Miller, and King O'Malley, both ex-bankers. They understood the money-creating power of banks and believed this could be utilised for public benefit."

Big bankers loathe the proposal. A former banking executive told *AAS* that when Kiwibank was set up in New Zealand, bankers in Australia watched with horror as deposits fled the major banks. Australians would flock to a public postal bank not only because they despise the major banks, but to avoid bail-in. If managed correctly, Glass-Steagall banking separation could effectively result, as most savers would feel safer in banks that do not engage in risky speculation. The US Glass-Steagall standard, introduced in 1933, restricted banks to doing only one or the other—retail or investment banking.

Kiwibank

As the Per Capita report states, New Zealand had a Post Office Savings Bank from 1867, which provided basic banking services and loans to the government. In 1987 banking operations were split from postal functions to form PostBank, but it was swallowed up by ANZ in 1989. Kiwibank was born in 2002. It provides basic banking services, home loans, business loans, and subsidiary companies provide wealth management services, insurance and financial services.



Former New Zealand Deputy Prime Minister Jim Anderton (1938-2018), who left the Labour Party over his opposition to Rogernomics—NZ's post-1984 neoliberal economic policy named after then-Labour Finance Minister Roger Douglas—played the pivotal role in winning the political support to establish the bank.

In 1999 when he took his then Alliance Party into coalition with the Labour Party led by Helen Clark it was premised on the Government re-starting some sort of Post Office Savings Bank. Upon Anderton's death, former PM Helen Clark admitted she had been sceptical about the proposal, asking, "How do we know anyone will use this bank?" She admitted she was wrong, having failed to recognise that the major banks had exited so many communities, leaving people without crucial services. "But there was still a post office, so putting Kiwibank into those facilities was a winner. It did incredibly well. I was wrong and he was right on that one."

As Per Capita pointed out, recounting the story of how the idea was finally accepted, "Just like the story of the establishment of the Commonwealth Bank in Australia, the role of a single determined individual, in the right place at the right time, was pivotal in the formation of Kiwibank." The *New Zealand Herald* reported in 2011 how the deputy leader of the Labour party, Annette King, had appealed

Left: A joint NZ Post-Kiwibank branch. Right: NZ MP Jim Anderton made Kiwibank possible. Photos: Wikimedia to Finance Minister Michael Cullen after a lengthy back and forth with Mr Anderton: "Annette King finally turned to Michael Cullen after three hours of this and said these immortal words: 'Michael, Jim's beaten back every argument against the bank we've ever put up, for God's sake give him the bloody bank.' And Michael Cullen said: 'Oh, all right then.'"

The *NZ Herald* remembered in 2019 that Anderton had "stood on street corners yelling with a megaphone at passing motorists during the 1999 election about how they were being ripped off by Australian-owned banks."

Left: Japan Post Bank ATMs. Right: Japan Post Bank founder, Hisoka Maejima. Photos: Wikimedia

Japan Post Bank

Another example cited by Per Capita is the legendary Japan Post Bank. Since 1875 Japan Post Bank has continuously provided retail financial services to every Japanese citizen that needed it. JPB was founded as a postal savings bank and operates out of Japan's 24,000 post office branches to this day.

Early postal services were government controlled, with postal branches exempt from taxation and employees entitled to special benefits such as food and stipend. The earliest signs of banking in the postal system was the provision of money remittance for traders.

From the time of the 1868 Meiji Restoration, Japan was heavily influenced by European and American ideas regarding banking. Particularly pronounced was the impact of the inventor of America's national bank, Treasury Secretary Alexander Hamilton, with his "American System" of economics introduced in Japan by leading 19th-century American economists E. Peshine Smith and Friedrich List, which gave rise to Japan's dramatic and rapid development into a modern industrial nation. One of the central tenets of this system was national banking to fund industrial development.

JPB founder Hisoka Maejima, known as the father of Japan's modern postal service, had travelled to the UK, where he discovered post offices offered basic banking services. Post offices had existed since 1871, but when Maejima introduced money order and postal savings services the system attracted some 10,000 customers within three years. By 1878 postal savings were invested in government bonds via the Japanese Ministry of Finance and later in bank debentures.

Not only was the postal system meeting the communication needs of the public, it was making a profit and playing a key role in the development of the nation. The system was soon well known as the safest way to save and a means of creating public investment. The institution helped popularise a culture of saving in Japan, starting when young children received passbook accounts. From 1906 money transfers between postal accounts were introduced and in 1910 the postal system began to pay pensions, which led to a massive expansion of the postal savings system.

The postal system was reinvented under the new Ministry of Posts and Telecommunications in 1949, and due to comparatively attractive interest rates the volume of savings again expanded. Money invested through the Ministry of Finance was channelled into national investment programs to build highways, airports and other capital-intensive national projects. Funds were lent to small and medium-sized firms and for housing construction. As a flyer by Japan Post stated, "All of these uses of postal savings contributed to the development of Japan's post-war economy. The Japanese people became more affluent. This, in turn, resulted in further increases in the amount of savings. Consequently, a virtuous cycle was started, with the growth in savings leading to further increases in the amount of investment in social development. In this way, postal savings increased in tandem with Japan's post-war economic growth."

In the 1990s the Japanese Post Bank was the largest bank in the world. As the Per Capita report noted, the generation of domestic credit by the bank was how Japan avoided foreign indebtedness and the bank was often referred to as "Japan's second budget".

Starting in 2001 the Japanese government again began reorganising the postal system, leading to a plan to gradually privatise the bank which commenced in 2007. Krys Suzuki in "The Unique History of Japan's Postal System" published by Unseen Japan on 13 August 2019, showed that even on the eve of its sell-off the bank's success was compelling: "From 2003 to 2007, it existed as not just the nation's largest employer, with nearly one-third of Japan working for one branch or another of the Japan Post, but also acted as the largest bank in the world".

Unfortunately, this was not enough to stop its partial sell-off. Discounting the bank's history in Japan's development, many believed the bank had run its course and privatisation was the next logical step. The bank was split into three separate service branches, supplying postal services, banking and insurance.

The Japanese government still controls over 50 per cent of the bank, and is obliged to own more than one-third of Japan Post at all times. In 2019 Japan Post Bank had 120 million customer accounts and managed ¥205 trillion worth of assets. In addition to deposit accounts, the bank now offers credit cards, loans, investment products, time deposits such as certificates of deposit and pension accounts.

According to historian Sheldon Garon in "Postwar Japan's National Salvation", Japan's culture of saving had a big impact on other rising economies in Asia, including China, which as of 2018 boasted savings worth 45 per cent of GDP, compared with Australia's 25 per cent.