1. **Boring but Safe. Lessons from the Australian Banking System**

The Australian financial system emerged largely unscathed from the 2007/8 financial crisis. Why? What was so different about Australia and what lessons can be learnt in the UK from the Australian experience? Australia was different because its banks exhibited a cautious culture of ‘vanilla’ banking focused upon the domestic mortgage market and commercial loans and did not reinvent themselves as ‘dealer’ banks. Why did vanilla banking survive in Australia? One plausible set of explanations focus upon lesson-learning by the Australian regulator and the banks themselves. But why did regulators and bankers in other countries not learn from their mistakes? What is important here is not simply whether agents learn lessons but whether lesson-learning leads to structural changes which alter agents’ incentives. In the Australian case the banking crisis led to a change in competition policy which reduced the incentives of the dominant banks to take risks and facilitated the emergence of a mutually beneficial and effective ‘relational’ banking culture between the banks and APRA.


The argument that business possesses ‘structural’ power is a hardy perennial of political science. However, the key problem with the standard structural power argument is that it is a top-down structuralist argument that leaves too little room for agency. We argue that structural power is partly shaped and mediated by the ideas and conceptions held by key agents, particularly state or government leaders. Our case-study focuses on how ideas and the structural power of the banks interacted amidst the dynamics of banking regulation in the UK prior to, during and since the 2007-8 banking crisis. Prior to the crisis prevailing policy ideas helped reinforce the structural power of the UK banking and financial sector. After the crisis ideational revision has increasingly challenged the power of the City.