

## **BANKING, FINANCE AND THE ECONOMY: THE SOCIAL BOTTOM LINE**

Address by the Hon Gareth Evans QC MP, Deputy Opposition Leader and Shadow Treasurer, at the 1998 Annual Australian Banking and Finance Awards, Sydney, 22 June 1998.

---

As the Prime Minister sees it we have an Australian economy which is "fireproofed" and "insulated" against anything the Asian economic crisis can throw at us.

As the Treasurer sees it, all Australia's little piggies are well-housed and safe (except perhaps from Canadian and Danish pork producers...).

The trouble is, as everyone else sees it, the outlook for the Australian economy is one of falling output, falling exports, falling business confidence and profit expectations, falling consumer confidence, and a fragile dollar - along with a rising current account deficit, rising foreign debt, rising unemployment, rising home mortgage rates and potentially official rates, and potentially rising inflation.

The Government of course says - with as straight a face as it can muster - that, worrying as things may be, nonetheless they're better than they would have been had Labor stayed in office.

But I ask you to just remember these things about the Labor Government:

- We're the Party who grew the economy over the whole of the 13 years we were in office at an average of 3.7 per cent, well above the OECD average of 2.8 per cent.
- We're the Party who broke the back of inflation, generating the conditions which produced the interest rate reductions in which the Treasurer has been, until now, basking.
- We're the Party who over our last term in office grew the economy a full percentage point faster than the Coalition has so far been able to manage during its term.
- We're the Party who created 560,000 new jobs in our last 27 months, as compared with the 231,000 generated under the Coalition in its first 27 months.
- We're the Party who in 1996 spelt out a budget strategy for much more moderate expenditure cuts which, according to the Coalition's own Budget Papers this year, would have bought the budget back into balance or better this coming year with nothing like the pain that has been caused.

- We're the Party who handed over government with Australia's public debt and budget deficits among the very lowest in the developed world.
- We're the Party who left behind us a foreign debt which - while certainly not the lowest in the developed world - was \$33 billion lower than where it is now: the Coalition's foreign debt doesn't need last election campaign's foreign-made debt truck to haul it around, it needs now a road-train!
- As to the future, Labor is the Party who's been around in government long enough - and with a leadership team experienced enough - to know the difficulties with which we'll be confronted in office by the new economic environment. We are deeply conscious of the constraints imposed by the ballooning current account deficit, and fully aware of the renewed worries about inflation - stimulated in particular by our depreciating dollar - with which we'll have to wrestle.
- But we are an alternative government absolutely committed - not least because we negotiated the commitment with the Reserve Bank ourselves - to the maintenance of a 2-3 per cent underlying inflation rate on average over the course of the cycle.
- And we're an alternative government which has made it absolutely clear that we are committed to delivering a surplus in each of our first three years in office, provided the present Government's economic and budget forecasts remain broadly unchanged.

Above all Labor has been around for long enough in government, and has been successful enough in government, to know that what business expects of us is basically four things: lively growth; stable prices; the capacity to be competitive with the rest of the world; and the capacity to withstand external shocks with the minimum of disruption.

There *are* certain fundamentals about the Australian economy that will enable us, whoever is in government, to survive the Asian crisis, although not without considerable pain along the way. At the *macro*-economic level, they are:

- our floating dollar, which you'll remember was a Labor achievement;
- our low inflation environment, which I hope you'll acknowledge was a Labor achievement;
- our low, by international standards, deficit and public debt environment, which was consolidated under Labor notwithstanding the adverse impact of the recession; and
- our manageable current account deficit and foreign debt, which would have been much more comfortably manageable in the future if the Coalition had honoured

our commitment to do something about our structural national saving problem, and had not - totally irresponsibly - abandoned our superannuation co-contribution initiative.

At the *micro*-economic level, the fundamental about which there can be absolutely no disagreement - and where the contrast with a number of countries in the Asian region has been spectacular - is the *strength of our banking and financial institutions*, and the system which regulates them and holds them accountable.

This is an achievement in which we can all here tonight take some pride, not least because - at a government level - support for the development and maintenance of a strong and viable system has been wholly bipartisan.

You will be aware that the Labor Party - not without some political risk in terms of our traditional base - has given strong support from the outset to the Wallis inquiry and to the overwhelming bulk of the recommendations that have come from it, and which the present Government has accepted.

That's not to say there haven't been some differences.

We continue to focus strongly on the consumer protection dimensions of the regulatory apparatus, and have a very beady eye on bank policy and performance with respect to fees and charges, on which Wallis and the Government want to remove all constraints.

- That is no less than you should expect from a Party which has always sought to represent the interests and concerns of mainstream Australians, in particularly lower and middle income Australians who have not exactly been at the centre of most banks universes in the past.

We also continue to strongly oppose mergers between any of the four major banks.

- That should not be seen as the last twitch of a political dinosaur, but the product of our legitimate concern with maintaining the strongest possible competitive environment among the major financial institutions in this country. No combination of existing Australian banks is going to get them into world mega-bank status, but they are each individually big enough and strong enough to play an effective commercial role - certainly on the national stage, certainly on the regional stage, and to a not insignificant extent elsewhere in the world as well.

In a globalised environment, we're all acutely conscious that everybody competes with everybody else, and that cost reduction is part of the imperative which every financial institution ignores at its peril.

But if companies, including banks and financial institutions, are not to become totally

hollowed out in terms of employee loyalty and commitment, and community support the chainsaw has to stop somewhere (I'm sure Frank Conroy will have been shedding a very sincere tear for Al Dunlap this week!).

Don Argus recently castigated the political leadership of this country for measuring the "value of our banks in terms of the number of people they employ or the number of retail branches they have". He says in *The Australian* today that the bank is not there to give people a "social experience".

Fair enough. But I don't think it's being commercially naive for us to express some real *concern* on this front. It's a matter of drawing attention to the reality that most actions generate reactions (as we've all become acutely conscious with the events in Queensland in recent days). And the major banks and retail financial institutions should be very conscious indeed of the community hostility being aroused by the collapse of visible, accessible services in regional Australia, and to some extent suburban Australia as well. It is not just nostalgia, it's anger.

In country towns, in particular, you just can't underestimate the sense of abandonment that people feel - when the last bank leaves town sometimes with hardly any notification at all until the filing cabinets are wheeled into the removal trucks; more often without any serious consultation; and almost invariably without any serious effort being made to ensure that there is already in place an adequate replacement service.

I'm acutely aware that everyone in this room is preoccupied with the financial bottom line. Many of you are supremely efficient at identifying and achieving just that. Many of the awards that are being made here tonight honour that achievement, and rightly so. I honour you all and applaud you all for ensuring that Australia's glittering reputation for having a stable, state of the art, banking and financial system, stays intact.

But perhaps it is time for us all to be asking whether - without being naïve, or muddleheaded, or hopelessly locked in the past - there is room in today's economy for the banking and financial sector to have not just a financial bottom line, but a *social* bottom line as well:

- not just in the community's immediate interests, but in your own long term commercial interests as well.