



## MONEY DUE REWARDS:



**Greg Southwell**

### The Lucky Country?

With markets in something of a panic throughout the world, those with funds invested seem genuinely relieved when national governments decide to step in and take the hero's role, in rescuing the latest bank or financial institution from its troubles. Like a true "damsel in distress", the troubled company latches onto its brave rescuer with unashamed relief. This scenario has been played out a number of times in recent weeks in several western nations.

In the UK, for instance, the recent nationalisation (i.e. government takeover) of the Northern Rock Bank has now been repeated with Bradford and Bingley meeting a similar fate. Similarly in Europe, Belgium's largest financial services firm Fortis NV has been partially nationalised, and may well require further assistance. Meanwhile, in the home of capitalism – the USA – the largest insurance company, AIG is now government controlled, as are the two mortgage institutions Fannie Mae and Freddie Mac.

Make no mistake, there is a battle of ideologies happening here, and there are definite hints of an emerging new global socialism. UK Prime Minister, Gordon Brown is quoted as calling for an end to the "age of irresponsibility" in the financial sector, as well as more rigorous international regulation. Similarly, the French President Nicolas Sarkozy claimed that "the idea of the all-powerful market, unconstrained by any rule or political intervention is mad", and threatened regulation of executive pay. In Germany, the Chancellor Angela Merkel criticised the "Anglo-Saxon" model of capitalism, and claimed that "the argument used by these laissez-faire purveyors was as simple as it was dangerous".

The message is clear. Free market capitalism was allowed to flourish while times were good, but now that the crunch has come, politicians and governments fully intend to take matters under their own control. After all, they are being asked to provide taxpayers money to bail out these distressed institutions, and they quite rightly see themselves as having a duty to ensure that these funds are used appropriately.

I only hope that the pendulum doesn't swing too far in the other direction. Sensible and thoughtfully drafted legislation is regarded by most commentators as a good thing, and rightly so. It now appears inevitable that some rule tightening is going to occur, particularly in the US, where it is most needed. In my opinion, however, the permanent government ownership of major financial institutions does not fall into the same category, and it is to be hoped that future governments in these countries will see it as a temporary emergency measure, and not as a blueprint for the future.

Free market capitalism is a system that has served us well, and has many benefits. It only really works, however, where the players behave ethically and follow the ground rules. Unfortunately, some of the players in the US banking sector have been making up their own rules, and the US financial sector is now reaping the consequences of their irresponsibility.

Ironically, their Australian counterparts seem to have remained remarkably free of such trouble, and it almost seems that as a result, we may be poised to become the "lucky country" once again.

Greg Southwell and Dawson & Partners Financial Services are authorised representatives of Lonsdale Financial Group Ltd, an Australian Financial Services licensee. Greg is also a SMSF SPECIALIST ADVISOR™, a CA – FINANCIAL PLANNING SPECIALIST, and a director of Dawson & Partners, a Cootamundra based accountancy and financial advisory firm, which was established in 1913. Dawsons have a division specialising in self-managed superannuation and sharemarket investing. The information in this article is general advice only and has been prepared without taking into account your objectives, financial situation or needs. It is recommended that you should seek professional advice prior to making a financial decision or acquiring a financial product.

SMSF SPECIALIST ADVISOR™ is a mark owned by the SMSF Professionals' Association of Australia Limited (SPAA), and is awarded to individuals who successfully comply with all the initial and ongoing accreditation requirements of the SPAA Specialist Accreditation Council.