

Economic Meltdown - The Money Maze Made Clearer

The Shadow Treasurer, Julie Bishop, MP, addresses Strathfield Liberal Women's Luncheon

Georgia Wright

On Saturday, 11/10/08, Strathfield Liberal Women's Branch held a timely, well attended lunch where not only was there plenty of delicious food to eat but more importantly during these economically turbulent times, much stimulating "food for thought" was presented by Special Guest, The Hon. Julie Bishop, MP, Deputy Leader of the Opposition and Shadow Treasurer and Federal Member for Curtin.

It was the day after Black Friday, when the man-made tsunami of financial terror hit Wall Street and the rest of the world was just hearing about the ripple effect. Lunch guests comprised an ever-increasing group of today's community minded and informed Strathfield women, sprinkled with several Liberal local councilors, including former Strathfield State member Mr Bruce McCarthy and recent Lowe candidate, Greek/Australian Mr Jim Tsolakis.

Ms Julie Bishop impressed us with the confident yet relaxed manner when talking about the most serious economic problem facing Australia today. Her sincere manner with which she answered the various questions by very concerned taxpayers and citizens present, such as carers of disabled children, pensioners and self funded retirees encouraged those who felt their issues were being neglected by the Rudd Labor government.

Julie Bishop showed real leadership through her interest in and knowledge of the issue by quickly explaining in simple language how this global mortgage "melt-down" got out of hand. She made better sense than the convoluted "gobble de gook" with which some politicians, financial experts and journalists have been and are still trying to confuse the public.

How the Sharks Swallowed the NINJA's.

From what Julie said, we gathered that this disaster began at the top, in the U.S. with the over confidence of the larger institutions, high flying with higher financing and unrestricted trading practices in Wall Street. The huge property boom saw an opportunity for establishing the sub-prime lenders to provide mortgage loans by smaller lending bodies, (sub-prime lenders financed by complex systems of large and small investing bodies, including some of the investment funds of foreign merchant banks and superannuation institutions). These sub-prime lenders then loaned money, at higher interest rates, to people who wanted to buy a new home but could not get a normal housing loan from the larger, established banks (and thereby pay the normal lower home loan interest rates). These people became labelled as the NINJAs, ordinary people with No Income, No Jobs or Assets.

Most of all, Julie emphasised, the crisis escalated from the de-regulation and non supervision by governments of the banks and the behaviour or ATTITUDE of the U.S. people towards lending to people without security, no deposits and no jobs. And people's behavior and greed created the money and housing markets frenzy word wide. As we have witnessed in Australia over the last few years, mortgage brokers opened up everywhere. It's become a phenomenon! Many people are running their mortgage loan "businesses" from home. Others are taking quick "financial consultant" courses and advising ordinary wage earners how they should be investing their money. They offer No Document Loans (NDL's) to people who could least afford the loan. Keen borrowers are not asked for documentation or proof of a steady job or savings, required no deposit or other assets; as long as they signed the mortgage contract and then made some sort of initial payments off their loan.. These unfortunate borrowers became the NINJA's, human beings now drowning in the global tidal wave created by the insatiable and unconscionable conduct of money lenders. Many of the mortgage brokers of the new sub-prime lenders were young people, inexperienced in finance themselves, who would entice the naive borrowers who wanted to live in the glamorously-advertised homes of newly developed suburbs. And the more NDL's they signed up, the more commission fees the brokers received from the sub-prime

lender they were representing.

Real trouble started when the borrowers either lost their jobs or could not meet the repayments as the term of the mortgage progressed and interest rates rose. The banks and sub-prime lenders foreclosed and sold the property and wanted their borrowed money back. In the U.S., the borrowers just walked away from their properties, leaving the unpaid mortgage for the sub-primers or for the developers to carry the unforeseen losses.

And because of the uncontrolled regulations on building and sale practices, ridiculous over pricing of real estate, human greed, increase in bank interest rates, the financial roller coaster stalled, and things began to domino effect, fall, stumble over each stage, and keep falling down.

During question time, Ms Bishop acknowledged the need for increasing pensions, more aid to carers, and said that the Liberals would vote for an increase in the Government backed guarantee for bank deposits to at least \$100,000.00. Time would not permit for more questions and discussion I would have liked Ms Bishop's views on the not so hot topic of better regulation, supervision and inspection of Aged Care facilities and their funding process.

Presentation of the Nadia Douglas Award:

This Annual Award was established in memory of a very hard working and loyal member Nadia Douglas of the Strathfield Electorate. Julie Bishop presented this year's award to the highly deserving and popular immediate past president of Strathfield Women's branch, Mrs Bev Farley. Bev has been instrumental in keeping the branch going over the last few crucial years, through her effortless and stylish example, increased membership, fervent fundraising, high standard of guest speakers and her contribution to the Women's Council. Well done and best wishes to Bev as she hands over the reigns to the loyal and tireless Lea McCarthy and the pro-active and friendly committee. Congratulations to Lea and the girls for many successful and exciting years ahead.

The Liberal/Rudd Rescue Package

Since Saturday's lunch, urgent action and "putting the money where their mouth is" has been taken by the Rudd government. Media is running wild with details of the \$10.4 billion stimulus package" to boost and buffer our economy and assist the needy of our society at this difficult time. Although I do question the increase of the first home owner's grant from \$7,000 to \$21,000 (for newly built homes). Hopefully this amount which might appear as a bonanza to some, won't create another vicious circle of greed and opportunity to build more McGhettos and entice more financially inexperienced and impatient 20 year olds to aspire to?)

The bi-partisan government approach for this Rudd Rescue Package to the nation has been a timely, prudent move. Hopefully both parliamentary parties retain the bi-partisan relationship giving Australia the edge in coping with this difficult wave of events. Now is not the time for political point scoring. A government's focus should be in discerning people's needs and extending compassion and assistance along with appropriate social policy reforms.

More importantly, we musn't forget that all voters, including the NINJA's, can remember which politicians introduce economic policies which widen the gap between the "haves" and the "have nots" in our society, whether in boom times or depressions. So between now and the next election, we as a people, must not allow for any "Grapes

of Wrath" to be crushed into the Australian landscape.

A Liberal Budget Surplus

So saying, we musn't forget that the budget SURPLUS from which Australia is being bailed out for the present is due to the cautious and conservative management by the previous Liberal Coalition government whose Treasury has carefully budgeted for more Assets than Liabilities.

The "old fashioned" mottos of "not living beyond our means", "pay off your debts as soon as you can before buying luxuries" and "don't go in over your head" have been part of the

Economic Creed or Budget Mantra of most

Greek/Australian households and businesses over the generations.

These truths do more for our bank account and self-esteem than any message about "massaging the figures" has ever done.

We look forward to leadership and policy initiatives from women such as

Australia's Deputy Leader of the Opposition and Shadow Treasurer, Ms

Julie Bishop. Julie advocates for

reform to financial reporting rules, allowing more transparency and disclosure of banks' and other authorities' balance sheet Assets & Liabilities.

Maybe Australia can provide a template for the world through the current generation of women in leadership roles. Can they do any worse than the blokes in holding the world's purse-strings? The admirable women who are confidence builders, substantial women of courage, conviction and compassion for their fellow citizens. Serious players; questioning women with core values who want to serve the people. We are pleased serious and effective women of that caliber exist in the Australian community.

(Endnote: Over the years, many of us read about the escalation of Corporate Chief Executive greed and self gratification or reward with decadently excessive salaries and bonuses and wondered how this was possible. What could a person have managed or done over such a short time to deserve additional excess rewards when he was being paid such an exorbitant salary in the first place? Some people of influence questioned these revelations of obscene waste and inequity in public but NOT ENOUGH questioned from the higher end of town. Offshore dealings and scandalous manouvres were the talk of dinner parties. Insurance scandals came and went and people were treated as heroes for beating the system and came out smiling - not even a stay in jail made them shameful of their white-collar crimes. They were hailed as "Clever", "Brilliant Financial Wizards" and "Creative Masters" and "Abacus's of Accumulation.

For quite some time the bullish and bullying, greedy practices of the millionaire CEO parasites who disdainfully fed off their hard working staff and dealt with other people's money - savings of the millions of small real investors - were admired by many. These Gordon Gekkos pumped and primed up their smug lifestyles and became heroes and role models for young boys and girls. Everyone wanted to know how to succeed and become rich on borrowed or use of other people's money. Their practices and arrogant behavior were condoned by politicians, writers, movie producers and even financial "experts" until, it seems, the bad news began to hit these admirers' own hip pockets. A very big hit indeed, on a global level and now the tidal wave is reaching us.

It is ironic that bi-partisan agreements are now being reached by governments around the world to use ordinary taxpayers funding to prop up some large and some sub-prime "dodgy" institutions, thereby allowing for many of the Gordon Gekko's to survive and re-invent themselves for future mischief..... YET good people globally cannot reach bi-partisan agreements on bringing the boys home from Iraq - (silence on this headline until after the US elections I guess?). COWABUNGA!!

