

Lessons from history

HELD IN LONDON IN NOVEMBER THE ACT ANNUAL DINNER IS ONE OF THE HIGHLIGHTS OF THE YEAR. DESPITE THE CURRENT ECONOMIC WOES, SPEAKER WILLIAM HAGUE SUGGESTED THERE WERE STILL REASONS FOR CONFIDENCE. **GRAHAM BUCK** REPORTS.



ONCE THE RECESSION HAS PASSED, THESE LESSONS WILL BE OF ENDURING IMPORTANCE FOR OUR ECONOMY

It has been a year to remember – mostly for all the wrong reasons as far as the business world is concerned.

Despite an environment that worsens by the day, the ACT's annual dinner, held last month at London's Grosvenor House Hotel, was notably free of doom and gloom. Its guest speaker, shadow foreign secretary and former Conservative Party leader William Hague, kept the tone for the evening informal and only turned to the dire state of the economy in the latter stages of his speech.

"The ACT is working hard to support its members at this time," said the ACT president, David Swann. "Our policy and technical team regularly issues advice and guidance to members, and the ACT is increasingly providing commentary to the media.

"We're keen to recognise innovation and success in these challenging times. Indeed, you could say that anyone who manages to get a deal underway at the moment is deserving of an award, so I would urge you all to submit your nominations for the Deal of the

Year and Treasury Team of the Year awards."

He added that the work undertaken by the ACT is closely linked to the activities of the government, standard setters and regulators and also the Bank of England.

"So we're particularly pleased that Paul Tucker, its executive director for markets and also a member of the Bank's monetary policy committee, has accepted our award of an Honorary Fellowship of the ACT," he announced before inviting Tucker onstage.

The member of the MPC was not the only individual to be honoured.

Swann said that the ACT's Certificate in Professional Treasury Management – part of the ACT's diploma – is set to become a truly global professional qualification as he announced the Student of the Year Award. This went to Andrew Life of HSBC, who achieved distinctions in all of the ACT papers that he sat and attained the highest mark possible for papers in advanced funding for risk management and also treasury management.

HONORARY FELLOWSHIP Also honoured was the ACT's outgoing chief executive Richard Raeburn, who in July announced his intention to retire at the end of 2008.

"Richard has achieved a huge amount for the ACT in the seven years he's been chief executive; most notably in the areas of governance, the development of our qualifications, the recognition for our work externally and particularly in developing our international presence," said Swann.

"In recognition of that success, it's with great pleasure that I invite him to accept, with our best wishes, an Honorary Fellowship of the ACT."

The president also confirmed that Raeburn's successor as chief executive is Stuart Siddall, a Fellow of the ACT, who will bring to the role his extensive experience in finance as finance director of several major organisations, most recently the construction group Amec.

THE TESTING OF PITT As William Hague observed, towards the end of his largely anecdotal speech, we have in the past few months entered uncharted waters and are dealing with situations few, if any of us have previously experienced.

But, as the biographer of William Pitt the Younger, he reminded his audience that there have been times in the past when things have been worse – even if finding a banking crisis of similar magnitude entails going back more than 200 years to 1797.

"Back in the late 18th century, when Pitt was prime minister, you were able to go to the Bank of England and obtain gold or silver bullion in exchange for any note that had been issued to you," he explained.

So when a crisis of confidence was triggered by doubts as to whether the BoE had sufficient reserves of bullion to meet these



demands, it triggered not a run on the banks but a run on The Bank.

However, the government of the day rose to the occasion and responded to the crisis with imaginative financial measures.

"Working with the Bank and other lending agencies, it managed to restore confidence and introduced both the two-pound and the five-pound note that won the vital backing of the financial markets.

"Traders no longer felt obliged to go and convert their notes into bullion and this marked the advent of paper currency on a major scale. So it demonstrates that even greater financial crises have been successfully surmounted in the past."

Hague added that although he would refrain from any serious financial or political lecture, he believed "that politicians across all parties would like to salute the work" carried out by corporate treasurers.

"They are conscious of the huge amount of expertise that exists across companies and financial institutions."

He also had hopes that the crisis would produce some benefits; among them a stronger acknowledgement by Western countries of the importance of saving and also of skills – particularly those offered by higher education, which was "one of the great neglected areas".

"We are threatened with being caught up, perhaps overtaken within a generation by the citizens of the East, including the Gulf. And if that happens, those of us in the West risk losing not only our cost advantage in making things, but also our knowledge advantage in doing things.

"Once the recession has passed, these lessons will be of enduring importance for our economy."

Perhaps demonstrating that politicians cannot stay off their chosen profession for long, Hague added that it was important for governments to live within their means.

"And while I'm not here to give an economics lesson, I'd say a government that leaves behind a tax system more complicated than that of Nicaragua and a budget deficit which, as a proportion of GDP, exceeds that of Uganda hasn't actually been helpful to the corporate economy, or to the economy overall."

What will remain, he suggested, is an enduring sense of the importance of financial responsibility – with someone taking responsibility for the health of the system as a whole and the level of debt within it.

There will also be recognition of the need for a more balanced economy in future. "Over the past 10 years, 70% of our growth has been in housing, which is now in temporary decline; financial services, which are in a certain amount of turmoil; and government spending, which is slowing down.

"So we can't turn to other sectors that we should be able to rely on to lead the way out of recession."

He concluded that the economy's eventual recovery will be contingent on a restoration of confidence. "I hope that our political and business leaders have a sufficient level of crisis to bring us out of this crisis – and I also hope that you are able to demonstrate it in your work."

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