



Bankers and Merchants

Mansion House

15th June 2011

The Rt Hon The Lord Mayor of London
Alderman Michael Bear

Mr Chancellor, Mr Governor, Your Excellencies, Ministers, Fellow Aldermen, Mr Recorder, Sheriffs, Ladies and Gentlemen,

Chancellor, it is a particular pleasure to welcome you back to Mansion House for your second time as Chancellor. We look forward to hearing from you shortly.

Governor, you and I are neighbours here in the City. Can I congratulate you on behalf of the whole City for the knighthood Her Majesty awarded you in the Birthday Honours list. A well deserved accolade.

I want to welcome *all of you* to Mansion House this evening, a house of history in a city of history.

Sir Peter Hall, in his monumental study of *Cities in Civilization* called London the quintessential city, the city by which all others are measured.

For over 2,000 years, London, in his words, has been a place where “the flames of *creativity* burn bright.” In other words, cities are created and maintained by choices and visions.

London’s greatness is a product of choices made over two millennia.

Although his book was published in 1998, Sir Peter predicted the stunning growth of banking in the last thirteen years, and the risks, and temptations, inherent in that growth.

He foresaw that the City’s banking would become increasingly international.

That the strength of wealth generation in London would act as a gravitational pull for investment from other countries.

And that the wealth creation in London would *ripple out* to the entire United Kingdom and the European Union.

But he also saw that the very structure of the banking environment would allow risk-taking that might exceed prudential practices.

Well, he was right. And we have witnessed the results: London is the premier financial centre of the world.

The wealth generated since 1998 has been epic. The good years were great.

But the international nature of banking and finance, coupled with risk-taking here and abroad, also contributed to the recent recession.

Decisions and choices made here, and elsewhere, are not contained by borders or boundaries. Banking has become the lifeblood of our global village, transcending nations or regional unions.

So, because of *choices made here and around the world*, recession became inevitable.

Now we live in an age of austerity.

We know what that means. For some, it is a blame-game. There is in some quarters, a determination for punitive regulation, retribution, and revenge.

And part of our contemporary dialogue is unfortunate: bank bashing, finger-pointing, demonization, threats of crippling legislation, and predictions of shocking changes in the financial landscape.

For others, the recession has been a wake-up call. We now live in a new world.

Economic turbulence created new ways of financing projects, better ways of doing business.

We know that there are numerous ways to fund growth, including venture capital and equity markets. There are new opportunities, new goals, a new tone, new visions, and new ideas. A restart. A look to the future.

Chancellor, I want to thank you for helping to change the tenor of the discussion on banking reform.

I also want to thank the Coalition Government for its careful and measured approach in tackling the recession.

In particular, I want to praise the reduction in the corporate tax rate. This was a *sound move* to make London even more competitive than its rivals.

And we have to do more. In my view, this is a decisive moment in our economic history right now. The choices we make will shape our future.

This is a time for choice ...choices that are *wise* and prudential.

And these choices must be made with vision, a vision of a future that offers strong stability and steady growth, where the markets are less volatile and the foundations secure.

Fear and uncertainty are major reasons why liquidity remains on the sidelines. And that fear comes from uncertainty about the future regulatory climate.

Perspective is necessary. There have been lean years. But the City has weathered them better than most financial centres.

For our generation, this was a moment of truth. We learned again the value of responsibility, prudent decision-making, accountability, transparency, and due diligence. And we have re-affirmed the importance of best practices.

We have witnessed the short-sightedness of excessive risk.

Economic stewardship has been re-enforced. Fiduciary duties have been re-emphasized.

And we can see the City taking self-corrective actions. There *has also been* profound cooperation between the banks and the government, such as Project Merlin, which will help generate liquidity, especially for small businesses with sound business plans.

We all know that the City must remain competitive internationally. That is important to everyone in the United Kingdom ... citizens, investors, shareholders, and the Coalition Government.

The City makes a huge contribution to the United Kingdom: 10 per cent of GDP, £53.4 billion into Exchequer, 300,000 jobs in the City of London, and another three quarters of a million across the country.

Globally, Foreign Direct Investment in the United Kingdom was valued at over £1 trillion in 2010. And the investment and business that comes here arrives and thrives at perhaps the safest and most prosperous destination in the world.

And we must not forget that European firms operating in the City employ thousands of people. Fund managers have billions of Euros under management for major European *public and private sector utilities*.

So pensioners and savers right across the continent benefit from a strong, successful and profitable City.

The City is a *profound economic asset* for the European Union.

Chancellor, like all of us, I know you have read the interim report from the Vickers Commission very carefully.

And we look forward to hearing your views on retail banking, capital rates and ringfencing, trailed somewhat in the media.

It is in all our interests to help banks stay competitive. And operate in a globally equivalent – not super-equivalent - regulatory environment.

Keeping costs down is also imperative.

Because increased costs for the banking industry will ripple out to harm the UK economy in countless ways, eliminating jobs and opportunities.

And we must also seize the enormous opportunities available *right now*. The Prime Minister has asked the City to engage with emerging markets. I agree.

Over the next five years, emerging economies are expected to account for over 50 per cent of global growth, but only 13 per cent of the increase in net global public debt.

Here at home, investment in emerging markets will raise revenues and create jobs ... possibly even enable the UK to balance our

national budget and move from an age of austerity to one of prosperity.

But there is more that will happen. Our investment in emerging markets will lift millions of people ... possibly billions ... out of poverty.

In the past decade, Africa's real GDP growth was just under 5 per cent. Its total GDP puts it on par with Brazil or Russia.

And we have witnessed stunning growth in China. Between 2008 and 2015, 75 million urban households will be joining the ranks of the middle class. China has become the world's second biggest economy.

And we need to work with countries experiencing a mass migration to cities. Already more than half of the world's population lives in cities. By 2050, that figure will rise to more than 70 per cent.

This isn't just about megacities like Mexico City or Mumbai. 400 midsize cities – places like *Chennai* and *Hangzhou* – will produce 40 per cent of the world's growth over the next 15 years.

Chancellor, I agree with the Prime Minister and the Foreign Secretary ... we must be involved in these markets. *Britain's future may depend on it.*

The City's banks have to be at the forefront of this global growth. And there is enormous competition. Even banks in emerging markets are often moving forward with lightning speed to become more efficient, innovative, and cutting-edge.

London has always been known as a city that reaches out to the world. That must be as true now as never before.

Conclusion

I began by talking about choices. Our choices have defined us.

One choice, perhaps the major reason for London's influence for the past four centuries, has been to create a powerful, positive climate for the banking industry.

Although the City is far more than just banking, banking and the City are inextricably linked.

Britain's future will be determined by the choices we make about Britain's banks. Banks that in the long run will do best in the private sector.

And, Chancellor, we - the City and the City's banks - want to work with you for a more prosperous Great Britain.

Now may I ask everyone to stand, save you, Chancellor, as I propose the toast to:

Prosperity to the public purse and the health of the Chancellor of the Exchequer

1440 words

