A tale of two cities

Rivalry between Australia’s two biggest cities dates back over 150 years and Jim Bain is on fertile ground with his new book. JOHN POYNTON AM CitWA SF Fin provides a review.

A Financial Tale of Two Cities — Sydney and Melbourne’s Remarkable Contest for Commercial Supremacy By Jim Bain (UNSW Press, April 2007)

On subjective issues such as lifestyle, weather, sporting codes and landmarks, the debate between the two very different cities may be passionate but is unlikely to produce a clear winner.

Viewed through the eyes of a 40-year market veteran, Jim leaves no doubt here though. He takes us through the commercial and financial development of two centres, making his point with compelling facts and figures.

The book’s brief introduction reminds us of Sydney’s head start for the first 70 years after European settlement but then outlines how a small number of visionary individuals and their stockbroking firms put Melbourne on top.

The book details the powerful influence of J.B.Were from the time of his arrival in Melbourne in 1839 to the ongoing strength of Goldman Sachs J.B.Were in today’s markets. There is also detailed coverage of Ian Potter and A. C. Goode, the two major post-war challengers to Were.

Their firms helped cement Melbourne’s relative power over Sydney such that “by the early 1970s (they) were completely dominating the Australian stockbroking industry”.

A progressive thinker himself, Jim’s admiration for the boldness and entrepreneurship of these pioneers is clear. There is a sense of nostalgic disappointment when he talks about the Deutsche Bank takeover of his old firm, Bain & Co, lamenting as he does its inability to remain independent.

Melbourne’s 130 years as Australia’s financial capital was fuelled by many things; the 1850s gold rush, benign geography, a strong manufacturing base and the dominance of the local brokers and bankers.

But as Jim tells it, the seeds for Sydney’s clear lead in 2007 were sown over 20 years ago with incorporation of stockbrokers and the rise of (mostly foreign-owned) investment banks.

Lest it be seen as just a story about stockbrokers, the majority of the book chronicles the growth and influence of merchant banks, trading banks, and fund managers in the Australian capital markets.

Having lagged its more dynamic Melbourne counterparts until the 1970s, the Sydney Stock Exchange also fought back by improving listing rules, providing detailed statistics on the market and computerising transactions between brokers. Jim contends that Sydney’s early adoption of computer technology was an important factor in its early influence over the introduction of SEATS and CHESS. This in turn has led to ASX being a Sydney centric company.

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In these buoyant times it is fascinating to read of the travails of our trading banks following the property crash in the last years of the 80s and early 90s. Westpac’s story is covered in some detail in the book and is a sobering reminder of what can happen when markets actually go down.

While Melbourne and Sydney seem evenly balanced, each with their two major banks, the same can’t be said for fund managers, regulators, investment banks, insurance companies and regional head offices, where Sydney clearly dominates.

In his epilogue Jim’s Sydney bias can be detected. Obviously proud of his home city and not being content to just let the facts and figures decide the argument, Jim also notes that Travel and Leisure magazine named it “World’s Best City” for 2004/05.

Jim’s book is both entertaining and educational. For me it brought to life the financial history of our two biggest cities with stories and anecdotes on the many characters and larger-than-life personalities (including the author) who shaped the events of their times. For those so inclined, the book also provides a wealth of empirical information throughout the text and in the appendices.

I recommend it to anyone with an interest in Australia’s capital markets.

The book reminds us that fortune favours the brave and that staying on top is far from certain, even for a city. 

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