

Bio reveals banker David Morgan's 'extraordinary life'



Former Westpac chief executive David Morgan in Sydney ahead of the launch of his biography *David Morgan: An Extraordinary Life*. Picture: Hollie Adams exclusive

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From time to time, an image buried deep in David Morgan's psyche bubbles to the surface, exposing the kernel of a driving ambition and appetite for work that leaves even the most tireless of his contemporaries gasping for air.

It's 1957 and the former Westpac chief executive is 10 years old.

Returning from school, he is taken aback by a "For Sale" sign adorning a huge billboard outside the family's two-storey home in well-to-do Glen Iris, in Melbourne's southeast. Morgan nervously approaches his father Ray, the owner of a millinery business Raymor Hats, and asks the unthinkable question for a child who has known little more than comfort and upper-middle-class privilege. "Dad said the business has gone broke and, by the way, your mother is leaving and she doesn't want you to go with her," he recalls in an interview with *The Weekend Australian*.

The jolting experience was formative in many ways.

Morgan doesn't delude himself that the pain he suffered was any more acute than others have experienced in similar — or far worse — circumstances. The distinguishing feature was the way he channelled his unexpected clash with adversity and came to regard it as a "gift". "I reframed it. It actually gave me a resilience and determination, and I realised that economic and financial security really matters," he says. "While I felt very resentful of my mother at the time, I wrote her a letter posthumously to say thank you for that and to understand her situation. She was married to the wrong guy — he was a great guy who adored her but they weren't well suited, and he was a real one-woman man. He remarried my mother 23 years later when my stepfather died and she was already well advanced with Alzheimer's disease."

Unsurprisingly, the second commandment internalised by Morgan after his family breakdown was the importance of exercising great care in choosing a life partner. To this day, he advises colleagues that irreconcilable tension in your most important relationship invites disorder elsewhere.

The parallels between the early lives of Morgan and Malcolm Turnbull are almost eerie. Turnbull's mother also left the family home, when he was the same age as Morgan. While both men were blessed with natural talent, they drew strength and resilience — instead of despair — from their early setbacks.

In the early 1980s, when he was a senior Treasury official, Morgan became convinced he had met his life partner in Ros Kelly, who would be a minister in the Hawke and Keating Labor governments. Among the elite, the union was both publicly celebrated and privately scorned.

Over drinks one Friday night in Canberra, before he married Kelly in 1983, the arch-conservative then-Treasury secretary John Stone scowled at Morgan: "If you marry that woman, you will never be secretary to the Treasury."

Paul Keating, in his own inimitable way, was still exultant years after Morgan was named Westpac CEO in 1999. "David Morgan, CEO of Westpac?" the former PM said in a speech. "A technocrat, the husband of a Labor minister? That simply would not have been possible before we opened up the Australian economy."

These and countless other anecdotes are told in a biography of Morgan, *An Extraordinary Life*, which was launched by Westpac chief executive Brian Hartzler on Thursday night at the bank's head office in Kent Street, Sydney.

Kelly attended, as did Keating, former NSW premier Bob Carr, ex-Treasury boss and one-time Westpac chairman Ted Evans, who was Morgan's best man at his wedding, and incumbent chairman Lindsay Maxsted.

The book chronicles Morgan's life as a budding child actor, economics and finance student at La Trobe University in Melbourne and the London School of Economics, and an early career at the International Monetary Fund where he had to hot-tail it out of Sierra Leone after being accused by the country's leader of being a CIA spy.

From there he switched over to Treasury, where he formed a tight bond with the likes of Evans and the late Chris Higgins, who would also serve as departmental secretary. Stone was marginalised and then exited Treasury, as the trio linked up with an ambitious, incoming Labor government led by Bob Hawke to launch a golden age of economic reform centred on financial deregulation.

By peeling back the economy's protective layers, floating the dollar and crushing inflation, albeit through destructively high interest rates which peaked in 1989 at 18 per cent, the foundation was laid for 28 years of uninterrupted economic growth.

Morgan laments that Treasury lost its effectiveness in the 1970s and was simply not delivering on its mandate. He agrees that he confronted a similarly ossified institution when he joined Westpac in 1990.

"There was too much hubris, too much internal satisfaction with themselves, very misogynistic, anti-intellectual, extremely conservative and not a meritocratic place at all," Morgan recalls, exhausting almost every censorious adjective he can muster. "At a cocktail party when I was joining, (one of the bank's former leaders) Sir Robert Norman came up to me and said: 'We don't need academic socialists like you'."

Morgan became known internally as "The Academic" and "Chifley's Revenge", in reference to the former Labor PM who put forward an unsuccessful referendum in the 1940s to nationalise the banks. So hostile was the reception

that Westpac's new inductee says he felt like "an artificial kidney that the host body was constantly trying to reject".

One of Morgan's mentors, renowned international banker and former World Bank president Jim Wolfensohn, had warned Morgan that Westpac would find him a threatening presence, and counselled him to "ignore the politics, put your head down and do a bloody good job".

Paradoxically, it was the bank's near-death experience in the early 1990s that provided a launching pad to the CEO's office and a dawning realisation in others that Westpac had to change.

After a \$1.6 billion loss in 1992 and a failed rights issue, billionaire businessman Kerry Packer launched a raid from which he ultimately withdrew after failing to secure board support for a swingeing slash-and-burn strategy. Hostage at the time to his own vaulting ambition, Morgan looks back now and concedes he was "completely delusional" to have thought he was ready to succeed Westpac CEO Frank Conroy, who was ousted by Packer.

His frustration was tempered, though, when the board appointed the US import Bob Joss, with whom Morgan formed a close bond. Joss was instrumental in turning the bank around, correcting Westpac's vastly inflated cost base by sacking 5000 of the retail bank's 20,000 staff. While insisting that those who were leaving should be treated with respect and dignity, Morgan admits to "sleepless nights" and — not for the first time — a resurfacing of uncomfortable memories from his own family upheaval.

The brutal hiking of interest rates in 1989 was another occasion when the ghosts of yesteryear began to stir. The policy emerged innocently enough from a regular, Sunday catch-up with Keating in Morgan's garden at his Canberra home, soon after he was appointed deputy secretary of monetary policy in late 1987. "I remember it to this day — we were sitting on these mingy little wire chairs. I can still feel them biting into my bottom," Morgan says. "Australia had stayed a high-inflation economy for much longer than the rest of the OECD, and unfortunately there was no other way to break this cancer of entrenched high inflation than to have a shock to the system."

The cost of setting the economy up for a long, prosperous future was unsparing.

Morgan knew it would be as much as anyone, as memories of his experience as a 10-year-old boy again percolated to the surface. But ask Morgan now if he and his fellow Treasury hawks were too merciless and his response is emphatic.

“Never! Never ever!” he almost shouts. “So did I think about those bank mortgagee sales? Yes, I did. “But did I come to the judgment that the end justified the means? Absolutely I did. I feel vindicated by that.”

Morgan is also the last to condemn Keating for his politically poisonous line at the time that the economic downturn caused by sky-high interest rates was the “the recession we had to have”. “It wasn’t my line but I’ve had my fair share of times I mishandled the media,” he says. “You don’t get a 100 per cent batting average when you’re in the cauldron.”

Morgan is in the pantheon of Westpac’s top leaders, delivering 10 per cent annual growth in cash profit in the decade to 2008, 13 per cent annual growth in dividends, and 18 per cent annual growth in total shareholder return.

After leaving the bank, he found himself woefully unsuited to retirement and gratefully took a call on the morning of the 2009 AFL grand final from Christopher Flowers, the billionaire principal of the global financial services private equity firm JC Flowers. Flowers offered him the plum job of running the firm’s Asia Pacific and European operations, ushering in a 10-year period of running majority-owned banks in his region from a London base.

Last year, he and Kelly returned to live in Sydney, as Morgan trimmed his Flowers commitments from directorships in six different countries to just three boards.

You’d never call it retirement, but Morgan has at least extinguished that nagging desire for economic stability and financial security. “Aided by my wife of 36 years, my (two) children and now my grandchildren, I think I’ve finally stepped off that path,” he says contentedly.

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