Alarm bells are ringing loudly but smug markets do nothing

Significant world events could be shaping the next financial crisis and authorities here are asleep at the wheel, writes **John Hewson**.

It is increasingly difficult to justify the complacency in global financial markets in light of the magnitude and potential significance of events in the United States, Europe and beyond which could be defining elements of the next global financial crisis.

Having studied, analysed and worked in financial markets since the late 1960s, I have drawn two clear conclusions – financial markets, including key regulatory authorities, do not understand "risk" and they certainly do not "price" it correctly.

There is a danger of drifting into a global trade war, given US President Donald Trump has imposed the long-promised tariffs on steel and aluminium imports from the European Union, Canada and Mexico. If not handled by all sides with considerable care, this could precipitate a global slump such as that created by protectionist legislation in the US in 1930.

The Eurozone also faces a potentially existential crisis as the result of the new anti-austerity, anti-EU, heavily indebted government in Italy. As the Eurozone's third largest economy (ranking 7th or 8th globally, and six times the size of Greece) the risk is of a debt crisis that would dwarf the Greek debt crisis in severity and threaten the future of the Eurozone (and perhaps of the EU).

As if all this uncertainty isn't enough, there is renewed concern about oil prices, global (especially Chinese) debt, the transition – being led by the US Federal Reserve – to "normalise" interest rates, and key elections in emerging markets (Turkey, Brazil and Columbia), with other key emerging nations in dire, debt/inflation-ridden economic circumstances.

On trade, the key issue now is how those affected by the Trump tariffs respond. So far, Canada has said it will impose similar tariffs on US imports, and additional trade tariffs from July 1. Clearly, Canada and Mexico hope to get exemptions under a revised North American Free Trade Agreement, although negotiations have stalled.

Europe is taking a particularly hard line in response. They have already identified a "politically clever" list of US imports to target – such as bourbon from Tennessee and Harley Davidsons. Europe has no choice but to retaliate. It is concerned by the potential "double-whammy" of tariffs on their exports plus China redirecting/dumping their targeted exports at under-market prices.

However, the Chinese seem willing to try to strike a bilateral deal based on quotas, although Trump's list of "demands", including substantial annual reductions in the trade deficit and open investment access to China, are ambitious. Trump has also promised to announce further tariffs on an additional $US50 billion of Chinese imports, in retaliation for intellectual property theft. He has also launched an investigation into car and truck imports that would hit Europe, especially Germany.

The Italian situation is particularly volatile, with the new government a fragile and probably unsustainable "liaison" between the Five Star Movement and the Northern League. The coalition concerns both Brussels and Berlin, because both parties ran a hardline right wing, populist, xenophobic, anti-European agenda. Their agreed policy platform is anti-austerity, including tax cuts for the wealthy, significant boosts to public spending and some form of universal basic income. While the new coalition is not advocating an exit from the Euro, anti-Euro sentiment in Italy is high and mounting, as the country recognises the (politically and socially difficult) need for an "internal devaluation".

A collision between Brussels, Berlin and Rome seems inevitable but the capacity of the European Stabilisation Fund would prove inadequate to deal with an Italian financial failure.

Against this background I was disturbed by our Reserve Bank's comment on the global situation in this week's announcement on the cash rate. "Financial markets have been affected by political developments in the eurozone, particularly in Italy," it said. "There are also concerns about the direction of international trade policy in the United States and economic developments in a few emerging market economies."

These weasel words have become so typical of Reserve Bank and Treasury ease. While making no attempt to spell out the risks and potential consequences for Australia, indeed to actually take account of them formally in their forecasting and advice to government, they nevertheless feel self-assured that if ever questioned in the context of a crisis, they can say, "Yes, we took account of those risks. We ticked that box – we did mention that in our press release, or in some budget paper."

This attitude is even more concerning in a world where voters are demanding transparency and accountability and where much of our economic difficulties in housing affordability and household debt stem in part from the likes of the Reserve Bank being asleep at the wheel. Exactly what would it do to handle another global financial crisis?

John Hewson is a professor at the Crawford School of Public Policy, ANU, and a former Liberal opposition leader.

Soft skills will improve health system

Training in compassion and empathy can make a patient's experience outstanding, write **Trevor Danos** and **Frank Daly**.

Australia has a world class public hospital system. Success is generally assessed through the lens of patient outcomes such as emergency department waiting times, surgical waiting lists, hospital readmission rates, adverse outcomes and hospital acquired infections.

Yet despite the constant drive for better safety and quality outcomes and a shift in perspective to patient and family centred care, improvements in these areas are increasingly difficult to achieve. The latest Bureau of Health Information's quarterly report, issued on Wednesday, is a case in point, showing that amid increasing numbers of patients in NSW emergency departments, improvements in waiting times have been limited.

Surprisingly, patient experience in public hospitals is not well measured or understood even though there are many instances of outstanding experiences. Patient experience is different from a patient's clinical outcome. Examples of poor experiences include delays in discharge lounges; being discharged with incorrect or inadequate medical supplies; poor communication; and poor physical access to the hospital. Where something is not measured then in all likelihood it is not being managed.

A particularly disappointing example occurs when a patient or family member perceives they have not been heard or understood or have been treated without empathy or compassion.

Any poor patient experience or deficit in empathy or compassion is disappointing because patients should be treated as people; a happy patient is generally a healthier patient; a healthier patient incurs a lower cost of care; and getting it right can be achieved with relatively minor and low-cost changes.

Some years ago, NSW Health launched a campaign, supported by a six-minute video, called Small Acts of Kindness. The video sought to remind healthcare professionals of the things that matter most to patients and their carers.

It may seem strange to contemplate reminding healthcare professionals of the importance of compassion, kindness and empathy when these are the core traits of all healers and often cited as motivating factors in embarking on such a career. Evidence suggests that, although many clinicians believe they are treating patients with empathy, kindness and compassion, their patients may not always have the same perception. The behaviours that signal these traits can be trained and are probably just one aspect of the Golden Rule – do to others as you would have them do to you.

Evidence clearly shows where empathetic communication and compassion are prevalent, clinical teams are more effective, staff morale is higher, patient complaints are fewer and patient quality and safety scandals are less likely. Moreover, these factors deliver improved operational and financial benefits for the whole hospital.

These topics are not purely academic. They are very much front-of-mind for health ministers and health secretaries. Indeed, the health budget has these broader implications; these matters go directly to culture and values. Compassion, kindness and empathy (and respect) are not just relevant to patients and carers, but are just as important in dealings between healthcare professionals.

Now is the time for the training of healthcare professionals at all levels to include these softer, but no less important skills.

Trevor Danos is the chairman of the Northern Sydney Local Health District. Dr Frank Daly is the Oceania medical director for Ernst & Young and a non-executive director of the Hush Foundation.

Apple's fix for mobile addiction is PR spin

Jonas Lipsius

In Monday's keynote address at Apple's World Wide Developers Conference – a week-long gathering for developers – the company announced new features built into its soon-to-be-released iOS 12 operating system to tackle our growing addiction to phones and tablets.

These include an enhanced "do not disturb" mode that hides your alerts during sleeping hours and Screen Time, which provides a report of your phone usage and allows for time limits to be set on the use of certain applications.

Apple has also developed parental controls that allow them to block the use of apps on their children's devices during specified hours and have more oversight over how the devices can be used.

We have become inseparable from our mobile phones. The term "nomophobia" (no-mobile-phone-phobia) has entered our lexicon and a study by MIT Sloan Management School has shown most people who have to "give up" their phone for a day suffer at least some level of anxiety.

Yet As Apple revealed its new anti-addiction measures, it also celebrated 10 years of the iOS App Store, reporting it had 20 million developers for the platform, over 500 million visitors a week and had surpassed $US100 billion in payments to developers.

So it's hard to see Apple's "solution" to the phone-addiction epidemic as much more than an attempt to create positive PR and deflect attention away from the fact it was the very company that gave birth to the smartphone market and app store concept. It is hardly going to kill the goose that lays the golden egg, which in Apple's case is iPhone and iPad sales that make up nearly 70 per cent of the company's revenue. As you would expect then, all of the controls are opt-in, and can be extended, changed or cancelled at a user's whim.

The address recognised that – along with other tech companies – Apple is beginning to draw the ire of a public becoming more aware of the negative effects of phone use on society. The announcement brought into sharp focus a slightly uncomfortable parallel between Apple's own products and other addictive vices – which have been outlawed, significantly taxed or subject to restrictions on their sale.

Remember the date. The address may well have been the opening salvo in the newest addiction showdown in town. And we all might be the ones who get sent to rehab.

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