

# **The Non-Reform**

## **Comment on the G20 finance ministers conference in London**

**by Peter Wahl, WEED**

Okay, it's not just business as usual, but not that much away from it what was agreed at the G20 finance ministers meeting last Saturday in London. Dominique Strauss-Kahn was completely right when he said: *„I am still waiting for a decision on hard measures and an implementation at national level.“* So do we. With his analysis, the head of the IMF could apply for membership in Attac. But it seems, that DSK was a minority. The results of the meeting give not much hope, that there will be a real reform of the financial system.

### **Better no reform than this one**

The most fuss was made about the bonuses. It is right that the extremely high bonuses of the past were dangerous incentives. It is also true that ethically these bonuses are nothing but disgusting. But on the other hand they are not the core problem. What matters, is to close the casino. Then the problem with the gamblers, their greed and the wrong incentives will be solved automatically.

Nevertheless, the debate on the bonuses was very instructive. It is the model, how the rest of the “reform” will happen: Some countries, in the case of the bonuses France and Germany, are in favour of strong measures. Wall Street and the City are against, and mobilise their personnel in the respective governments. In the negotiations a compromise has to be found, and the strong position is watered down. Otherwise there would be no agreement at all, they say. If, under these circumstances, France and Germany take national measures, the best managers would leave for London or NY.

Yes. And so what? People who are leaving Paris or Frankfurt only because in London and NY they get higher bonuses are not the best, but the greediest managers. And that greedy bankers are not good has been shown by the crisis.

So, let the vultures go to Wall Street and the City. It will make the continental financial markets much more stable and – on the long run – more successful. Of course, firewalls will be needed to protect the world from contagion when the migrant managers produce the next crisis and will definitively marginalise London and New York as market places.

### **The question is not to make the casino safer, but to close it.**

The other proposals made in London, such as an increase in capital requirements, improvement of accounting standards and better rules for fiscal paradises are not wrong. But they remain still vague, and even if they were strictly implemented, this would not prevent the gamblers to continue, may be slightly moderated, but still ...

What about regulation of Hedge Funs and other highly leveraged institutions? What about derivatives? What about risky business models such as naked short selling? What about the domestication of speculation?

There is only one proposal from the London meeting which goes beyond improvements of the casino, and this is limiting the size of banks to an extend, that none of them is any more systemically relevant. It would allow to let them die in case of another crisis. And it would contribute to break the dominance of finance over real economy and the rest of the society. However, this proposal has been formulated particularly vague. It would be a miracle if it survives the upcoming Pittsburgh summit of the G 20.

Nevertheless, this proposal deserves strong support.