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The Big Bang: 25 years on [1]

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It's 25 years since the Big Bang deregulation of financial services in the City of London.

I remember the City before the Big Bang. It seemed more like a gentlemen's club rather than a place of business. It was dominated by sleepy upper-crust partnerships, most of them the same names that had been in the Square Mile for centuries. They couldn't take on the opportunities offered by the world's growing globalisation, even if they had wanted too. No wonder the City had been overtaken by New York. It was a closed shop with its own bizarre and old-fashioned customs, underpinned by regulation and law.

Nor could this cobwebby old-boy City have handled the privatisation revolution that Margaret Thatcher had in mind. Before the sale of BT in 1984, just a few thousand people owned shares. Today, nearly ten million people have some stake in British business ? thanks to Big Bang.

True, lots of American financial firms pounced to buy up their sleepy London counterparts. But that brought in new capital and new ideas. London grew and overhauled New York to become the world's top financial centre once again.

People also say the Big Bang produced a 'loadsamoney' culture and huge salaries in the financial sector. Wrong. The deregulation certainly opened up new markets, and brought in more capital that allowed firms to grasp those new opportunities. And computerisation, which came in at the same time, made that new business hugely more efficient. The rise in wages and profits simply reflected that new productivity.

Other people blame the Big Bang deregulation of the City for the over-borrowing and over-spending that led to the current financial crisis. But it seems a bit much to blame that on something that happened 25 years ago. More recent mistakes ? huge over-spending and over-borrowing by governments, easy money and expansionary policies ? are a much better explanation. And we have only governments, not the bankers, to blame for that.

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[4] http://disqus.com