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The financial crisis: finger pointing at last [1]

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Four years on, Mervyn King has finally admitted to some of his culpability for the banking crisis. At the same time, he rpoints to the Treasury, FSA and Bank of England ?Tripartite? for its combined responsibility. He is right about that. Incredibly, during the ten years leading up to the crisis, i.e. as it was slowly developing, the Tripartite met only once. King notes the mea culpa from the FSA, again only partial, but also notes the absence of penitence from Gordon Brown and Ed Balls.

He also failed to mention Sir John ?Teflon? Gieve. As a senior Treasury official he helped draw up the Tripartite agreement that almost guaranteed its failure. He was then Permanent Secretary of the Home Office during the years the auditors refused to sign off the accounts. His financial sagacity was further confirmed when, as link man between the FSA and the Bank of England during the lead up to the crisis, he effectively neutered them both.

King has had some hard words for the banks who, notably Barclays, have failed to admit responsibility, pay mega-bonuses based on profits from mis-selling and resolutely obstruct attempts to increase capital ratios to prevent a recurrence. I have some sympathy with the banks on that last point. Regulation was not, and is not, the solution. We are unlikely to have another such crisis until the memory of this one is fully expunged, i.e. half a century. We can already see the effects of higher capital ratios damaging our ability to escape recession. To increase capital ratios, banks have to lend less to SMEs and increase their margins to everyone. Look at LIBOR and mortgage interest rates increasing while the Bank of England rate has been stable at 0.5%.

At this particular time we need less capital ratios and more lending at keener prices. When recovery comes, then by all means think again.

We are still in the doldrums of the banking crisis and are likely to continue to be for some time. Yes, Sir Mervyn, we do need a proper independent enquiry and we need it now that the pressure is off but memories are, or could be, clear.

It is extraordinary, when you think of it, that we are mesmerised by the peccadillos of the Murdochs which have had a marginal, if any, effect on our way of living but ignore the far more grievous failures of the banks and the Tripartite which have brought the country to its knees. We have a years long judicial review of the former and no review at all of the latter.

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