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Darling fluffs regulatory reform [1]

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HM Treasury released yesterday 176 pages setting out the government?s regulatory response to the financial crisis. Quite how the global (as Darling still claims it is) crisis will be solved by a few pettifogging UK changes is unclear. More transparency for hedge funds, higher fines and capital ratios, and keeping an eye on bankers? bonuses (presumably like Lord Myners and UKFI have kept an eye on those at RBS) are marginally useful. But the root causes of the crisis ? notably, the failure of supervisors to supervise ? are ignored.

The FSA is not penalised but rewarded. The Bank of England is given the responsibility for financial stability it always had.

The report includes a summary of the Impact Assessment but the Assessment itself is still (some hours after the report it is supposed to justify) unavailable. With the announcement being delayed a week they should have had plenty of time to issue the Assessment. It should show us the alternative means of meeting policy objectives and the comparative analysis of their advantages and disadvantages. For now, though, we are in the dark.

The summary shows the the five policy objectives, the third being to boost ?boost consumer trust and confidence in financial markets". Most of us reckon that trust, misplaced as it was, to have been part of the problem. In financial terms, this policy objective is far the biggest and will save around £25 billion over 52 years. The other figures and proposals are no less fanciful. None of the other policy objectives seem to match up with the regulatory changes proposed. The White Paper is designed merely to get Darling to the next election.

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