

## **Thursday night is bank bashing night**

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I watched the first big TV political debate but come last Thursday I decided to go out and watch Ghost at the cinema instead.

It's about a Prime Minister as a war criminal and probably nearer to the truth than the current PM in Limbo would care to admit. Besides, I was able to catch up with all the debate rhetoric, replays and spin when I got home at around 11 o'clock.

That show, or rather debate, was supposed to be about foreign policy but once the Sky TV presenter moved Brown, Cameron and Clegg onto a more general agenda it was almost a replay of the first debate.

There was a little bank bashing, and a lot on immigration and the National Health Service, and of course an awful lot on how they were going to save the UK economy if not the universe.

So what can we expect in Thursday night's debate which is the last of the three and focuses on the economy?

I suspect that last week's news about the Goldman Sachs alleged sub-prime scam will set the tone and fresh faced and squeaky clean Nick Clegg will conveniently forget that back in 2004 he was in the lobbying business and one of his clients was Fred the Shred's Royal Bank of Scotland.

Of course back then he was even younger than he is now and visa vie his idealism, he could claim that he was a late developer. Perhaps I'm labouring the point but back then he was quite happy to exploit his experience in Brussels politics to persuade the European Union to side with a soft touch regulatory regime.

Brown, the architect of the Tripartite regulatory regime in the UK, was at that time equally happy to ride on the back of our success in banking and finance. Indeed, he took pains to be associated closely with the likes of Sir Fred Goodwin but no doubt, like Clegg, he'll also experience a bout of selective amnesia and along with the others will compete to bash the banks because that's what the voters want and what politicians do best.

And given the public mood they'll all want to support the International Monetary Funds' latest proposals – the creation of a Financial Stability Contribution (a levy to meet the cost of bank bailouts yet to come) and a financial activities tax on bank profits and remuneration.

As Bob Lyddon, managing director of the international banking group IBOS points out, these will force banks to close their more marginal operations overseas, which rely on higher risk activities that provide the most profit, and concentrate on their home markets.

This, he says, “will cause a return to the domestic banking of the 1980s” and as a consequence undermine the establishment of strong Pan European banks which would have had the scale to be cost competitive and operate on a truly global level.

That’s not quite what the doctor would order given the mortgage funding crisis that awaits us after the election but it also begs another question raised by David Smith, economics editor of the Sunday Times.

“There was no such levy before the crisis”, he observes, “ but to play the devil’s advocate, you could argue that the huge tax take from Britain’s financial sector, poured into public services, could have been used in part to make sure the public finances were in good enough shape to cope with a crisis.”

The question that Smith poses is, if such financial stability funds are not ring fenced, can we be confident that they will not be dissipated in the same way again?