Bankers defiant at Davos World Economic Forum

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4 February 2010

Two years on from the biggest financial crisis to strike world capitalism since the 1930s, leading international bankers made clear at last week's World Economic Forum in Davos, Switzerland that they will resist any attempts to rein in the speculative practices that have led to governments running up unprecedented levels of debt and the loss of tens of millions of jobs.

The warning signs of a "double-dip" recession, trade war and the bankruptcy of entire countries formed the backdrop to the annual Davos proceedings, where the world's leading bankers and CEOs have discussed their business strategies with top politicians and economists for the past 40 years.

The fears of impending trade war between the US and China were stoked by comments in Davos from Larry Summers, the chief economic adviser to President Obama. In a panel discussion with Zhu Min, deputy minister of China's central bank, Summers attacked China's trade and monetary policies and warned that the US was prepared to respond by stepping up its protectionist measures.

Pointing out the consequences of the huge sums of money pumped into the economy by governments around the world, Harvard University economics professor Kenneth Rogoff bluntly declared that for those in their 30s, "It will be terrible for you." Addressing the huge indebtedness of the German economy, Rogoff told a young German at the forum that Germany's debt was exploding and there was no alternative to austerity measures and significant tax increases. "It will be very, very painful," Rogoff added.

The reaction of bankers at the conference to the catastrophic results of their own activities was to unite in defense of their profits and multimillion-dollar bonuses. The most important lesson drawn by the lords of international finance from the events of the past two years is that they can rely on the unconditional support of their respective governments to bail them out.

This was summed up in a debate between Carlyle Group LP co-founder David Rubenstein and New York University Professor Nouriel Roubini. Rubenstein said, "We've gone through a bit of a heart attack and heart attacks are not fatal so much anymore, so we've learned a lot."

The lesson for Rubenstein is that as a result of government backing, speculative opportunities have never been so good. He declared that now is a "pretty attractive" time to invest, and boasted that the deals his investment group had sealed in 2009 "will prove to be the best deals we have made this decade."

One of the main points of discussion at the Davos meeting were proposals to regulate certain activities of the banking sector, such as those put forward recently by Obama. Bankers are well aware that such proposals leave untouched whole areas of speculative trading and are mainly for public consumption. As one US commentator noted, any proposals for curbing the activities of the banks "have about as much chance of getting through Congress as politicians have of getting into heaven."

The Davos conference began with a speech by French President Nicholas Sarkozy, who raised the issue of international regulation of the banks. Sarkozy criticised the greed of bankers, expressed agreement with the Obama's administration's proposal to ban proprietary trading by commercial banks, and called for a new Bretton Woods system—referring to the international agreements that anchored US economic supremacy at the end of the Second World War. Sarkozy was at pains to stress that his priority was to save capitalism, not bury it.

The French president's bluster is taken with a large grain of salt by financial figures. When asked for his reaction to Sarkozy's remarks and Obama's proposals, Jacko Maree, CEO of the US-based Standard Bank, replied that "a lot of those proposals are politically appealing, but practically unlikely to happen."

The bankers' offensive at Davos was led by Josef Ackermann, the chief executive of Germany's biggest bank, Deutsche Bank, and by Peter Sands, CEO of Standard Chartered, one of Britain's biggest banks.

Ackermann told the audience at a panel discussion that it was time to stop playing "the blame game." In a barely concealed threat that major banks might further reduce their lending, Ackermann warned, "If you don't have a strong financial sector to support this recovery … you're making a huge mistake and you will regret it later on."

Ackermann's comments were echoed by Sands. When asked whether he supported measures to break up banks that are currently deemed by governments to be "too big to fail," Sands responded, "The unambiguous answer is no."

During the conference, Ackermann took part in a meeting of bank CEOs to discuss a common strategy to repulse any limits on their activities. On Saturday, he and other leading bankers met for confidential discussions with the finance ministers of France and Britain, European Central Bank President Jean-Claude Trichet, and IMF Managing Director Dominique Strauss-Kahn. Also present was US Congressman Barney Frank, who heads the House Financial Services Committee.

While refusing to reveal any details of the talks, Ackermann praised the spirit of cooperation that prevailed, declaring, "There was better dialogue between business leaders, political and regulatory leaders than ever before."

Two days after the Davos forum, the German Federal Financial Supervisory Authority lifted the ban on short selling in Germany. This particular form of speculation was banned by the German regulatory authority in September 2008 following the outbreak of the international financial crisis.

The level of arrogance displayed by the bankers in Davos is matched only by their contempt for a political caste that is fully subservient to their demands. The private discussions at Davos made clear that any measures drawn up by capitalist governments to regulate banking activities will be little more than window dressing.

The past two years have revealed the enormous political influence and socially destructive role of the banks and major financial institutions. A deepening social catastrophe can be prevented only by the expropriation of the financial oligarchs and conversion of the banks into public utilities, under the democratic control of the working class, as part of the transformation of world economy on socialist foundations.

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