Bankers lay down the law at Davos

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In 2009 they were conspicuous by their absence. The following year they were still keeping their heads down. But at this year's just concluded annual World Economic Forum meeting held in Davos, Switzerland, it was a different story.

Two years after the eruption of the global financial crisis, having been bailed out to the tune of hundreds of billions of dollars, their bonuses and salary packages restored, and having taken the measure of governments around the world, the bankers were not only back in force, they were laying down the law.

In a series of speeches at open sessions and in closed-door discussions, leading bank chiefs made clear they would not tolerate restrictions on their activities and that, notwithstanding the fact that their actions had triggered the deepest financial crisis since the Great Depression, they would continue exactly as before.

The tone was set early in the five-day meeting by Goldman Sachs president Gary Cohn. Criticising the imposition of new rules on traditional institutions, Cohn warned that the "unregulated sector will grow at an exponential rate".

"What I most worry about is that in the next cycle, as the regulatory pendulum swings, we are going to have to use taxpayer money to bail out unregulated businesses that, unlike the banks in the last crisis, may not be able to repay them," Cohn said.

But the so-called "unregulated sector"—comprising organisations such as hedge funds and special purpose vehicles—and the banks are not separate organisations. They are two sides of the same financial system. The "unregulated" organisations could not function for a day without the massive supply of credit from the banks.

Viewed in this context, Cohn's "warning" was a rather thinly-veiled blackmail threat: give us what we demand or we will find another way to do what we want and set off another financial crisis.

The chief executive of Standard Chartered, Peter Sands, took a different tack, insisting that regulations could have no real impact. "The current regulatory debate," he declared, "is a bit like discussing having better seat belts on planes. It's hard to argue against, but when the plane crashes, it's all a bit marginal."

Not that Cohn and Sands and their fellow banking chiefs needed to worry about the impact of regulation. The meagre regulations put in place since 2008 have been almost completely diluted.

International regulations are embodied in the Basel III accords that have been set up over the past 18 months. However, as Liam Halligan, a columnist for the British *Telegraph*, noted, referring to the Basel rules: "[T]he actual document is so full of fudges and escape hatches that it amounts to very little. The only concrete policy—requiring banks to hold more capital against potential losses—doesn't kick in until 2018. Other measures designed to prevent future crises … have been postponed, allowing banks to carry on pretty much as before. In truth, the Basel accord, amid dire warnings of lower lending and job losses, has been eviscerated by the all-powerful banking lobby."

According to Halligan, backroom meetings at the Davos summit ensured that new Basel rules requiring regulators to impose higher capital requirements on "systemically important financial institutions" were heavily diluted and even "relatively minor regulatory changes that have been put in place since sub-prime are being gradually stripped away".

Having begun with an attack on regulation, the banking executives stayed on the front foot throughout the summit, with executives from JP Morgan, Barclays, Credit Suisse and others calling a meeting of finance ministers and officials to demand that "bank bashing" cease. To reinforce the point, they insisted that "over-indebtedness of countries," not just of banks, was responsible for the crisis.

The aggressive character of the bankers' campaign came as something of a shock for the reform-minded critic Simon Johnson, former chief economist of the International Monetary Fund.

Interviewed from Davos, Johnson said: "I knew it was a parallel universe, and I wanted to observe it, but I'm just shocked by the temerity of these bankers. Not only are they showing no remorse, they're saying, 'Oh, all that regulation you've infused or tried slightly to push on us is irrelevant or bad or dangerous and damaging and you should let us have our bucks now.' And the rest of the Davos elite seems to be buying into this. It's quite extraordinary. And rather disturbing."

The activities of the bankers will only come as a shock to those who have failed to examine the historical evolution of the capitalist economy and the ever-increasing parasitism of its leading financial components.

The bankers' response will only surprise those who have consoled themselves with the belief that "democratic" governments will, in the final analysis, be able to take remedial action. They are unable or unwilling to see that in every country, these governments, whatever their political colouration, do not represent "the people" and are nothing but an organising committee for carrying out the demands of the financial elite.

This year's Davos summit, the third since the outbreak of the global financial crisis in September-October 2008, was a gathering of the ruling elites of a corrupt regime increasingly under siege. While the bankers laid down their demands, however, a more powerful social force was announcing its re-emergence on the streets of the Middle East.

In a guest post from Davos, published by *Time*, business author Don Tapscott pointed to the wider significance of the events in Cairo."The world is a powder keg as a demographic tidal wave of young people enter a jobless workforce and societies that need deep political and social reform," he wrote.

Upon entering a "world that is broken," Tapscott commented, young people increasingly do not believe that their governments can or are willing to bring about economic, social and political reform and are "looking to various forms of mass action to bring about change".

Events in the Middle East made it into discussions at Davos but, as Tapscott noted, behind the professions of support for reform there were deep concerns. In one session, he reported that a famous academic argued: "Sure it's positive that a new generation wants reform but we need to consider the security consequences of a deepening wave of protests in the Mideast." Another remarked that the youth radicalisation was not about the poor rising up: "These youth are educated people. They have high expectations that are conflicting with reality."

On the eve of the summit, World Economic Forum founder and chief executive Klaus Schwab wrote an article in which he warned his super-rich membership that they had to set self-interest aside and "take the long-term global public interest to heart". While that might prove difficult, he continued, "We can't keep doing the same old thing in a new era that requires new responses."

The Davos summit demonstrated that, like the *ancien regime* of pre-revolutionary France, the global ruling elite is organically incapable of making such a change. The present ruling order, in which the interests of humanity are subordinated to the dictates of a super-rich elite, cannot be "reformed" but must be swept away. The events in Tunisia and now Egypt point the way forward.