Henning Meyer

When money rules

The Guardian Comment is Free

theguardian

When money rules

Politicians on both sides of the Atlantic seem unable to stand up against powerful economic interests.

Henning Meyer
guardian.co.uk, Friday 12 October 2007 14.00 BST

A larger | smaller

The global finance-driven capitalism we are witnessing today does not leave much room for aims other than profit maximisation. Where barriers to its free operation are still in place it tries to break them down. That these barriers are often there to serve social or political ends does not count.

Increasingly, we can not only predict but observe what happens in a largely unregulated economic environment. The recent subprime crisis in the US and its global consequences was the latest high-profile case. Such crises always trigger a vast amount of political outcry and "immediate help" by governments.

But what actually is the job of government? Is it to reassure frightened citizens by guaranteeing the deposits of a commercial lender such as Northern Rock, even if this sets a precedent for other banks and shifts the risk of Northern Rock's financial transactions to the taxpayer? Or should a government's job rather be to lay down an appropriate regulatory framework to avoid such crises in the first place?

In his latest book, Supercapitalism, Bill Clinton's former secretary of labour, Robert Reich, sketches out an interesting political mechanism he sees in the US. Politicians attack unsustainable - but legal - economic practices in public when negative effects occur. But they mostly do not eradicate the underlying problem: the inadequate regulatory framework that allowed these effects to materialise in the first place. Reich argues convincingly that one should evaluate a politician's real interest according to whether he or she pushes for real changes in the legal framework.

The way in which US election campaigns are financed arguably makes it very hard for American politicians to push for legislative change against powerful economic interests, but we do not see much of this in Europe either. I have not heard of any European national government that, even in the light of the current crisis, wants to introduce real reforms in the regulatory framework of financial services. The Socialist Group in the European Parliament campaigns for such changes. The problem however is that, unfortunately, the European parliament has no right to introduce legislation. This competence lies exclusively with the European Commission.

So why is it that politics - even against the backdrop of obvious economic problems - seems unable to react substantially and at best tries to cure the symptoms rather than the cause of the malaise? Is the responsiveness of politics dead?

Widely unnoticed, the EU and the US agreed on a Framework for Advancing Transatlantic Economic Integration earlier this year. The main aim is to bring down remaining trade barriers and harmonise regulation. Whereas it is a good thing to eliminate unnecessary trade obstacles, one consideration should also be in what areas there might be a need for new regulation to prevent economic crises from recurring.