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G7 Finance Meeting Must Resist Bankers' Backlash

Brussels, 4 February 2010 (ITUC OnLine): The meeting of G7 Finance Ministers in Iqaluit, Canada, this week needs to press ahead on financial regulation and restructuring of banks, as powerful global financial interests step up their fight against reform. While the meeting is not expected to adopt formal decisions, discussions there will influence the positions taken by the G7 countries at the June summit of G20 heads of government, also being held in Canada. Disturbing signs emerged at last week's World Economic Forum in Davos, where behind-the-scenes arm-twisting by powerful interests in the financial sector was used to warn governments and regulators that even limited steps to regulate would meet with strong resistance.

"Having filled their begging bowls with trillions of taxpayer dollars, the very same bankers who caused the crisis are now biting the hand that fed them. They are attacking the role of government, pleading for more corporate welfare and refusing to accept that the main purpose of banking and finance should be to support employment and growth in the real economy. Governments must stand up to them, and in some cases even to their own central banks and regulators, who seem only too happy to do the bidding of the finance sector at the expense of jobs, incomes and development," said ITUC General Secretary Guy Ryder.

Central to their strategy is a move to push the whole issue of regulation and reform into closed-door discussions, including at the secretive Financial Stability Board set up by the G20 in London last April, which has yet to show any indication that it will support the kind of regulation needed. Governments, notably in the USA, France and the UK, have signalled plans for far-reaching change, and it appears that the financial sector, banking on the support of other governments, is betting on a drawn-out multilateral process foundering at some time in the future due to inability of governments to agree.

"Governments should work quickly to reach a cohesive global approach through the G20, and at the same time they should move forward with reform in their own jurisdictions, particularly in the US and the UK, the two homes of "light-touch" regulation, which has done so much damage

to the lives of tens of millions of people," said Ryder. "If the Financial Stability Board and other bodies mandated by the G20 to work out global solutions don't move fast enough or far enough, there will be a risk that some banks will try to flee to countries where regulation is lax, but that should not stop the obvious weaknesses in regulation of major financial centres being fixed by the governments concerned."

"Regulation and restructuring of banking is critically important, and should be at the heart of a process of ensuring that banking and finance serve the real economy. The G7 Finance Ministers need to confirm that they will support the introduction of a financial transaction tax and a levy to insure against future bank failure, bring private equity and hedge funds into a proper regulatory framework and take action on bankers' pay and bonuses," said John Evans, general secretary of the Trade Union Advisory Committee to the OECD.

The Financial Stability Board, which is working on the bonuses issue, has been consulting with the banks themselves on the question of bankers' compensation, but has not agreed to meet and discuss these or any other issues with the international trade union movement, even on an informal basis.

Nor is it clear how the Financial Stability Board intends to implement G20 decisions on action from March 2010 against tax havens; what concrete steps they will take to bring hedge funds and private equity firms into line with minimum standards of transparency and accountability with respect to regulators; or what will be done on prudential regulation, other than continue with their existing unhurried plans for revision and implementation of the existing "Basel II" framework by the end of 2012.

With unemployment set to rise even further throughout 2010, trade unions are also calling for government stimulus packages to be renewed and re-focused onto maintaining and creating employment, with a strong emphasis on green jobs in particular. Government action to reduce fiscal deficits must not damage vital public services, with the transactions tax and other progressive tax measures needed to provide revenue to help fund social spending and development assistance at the same time as deficit reduction.

"Governments are facing a clear choice. They can act decisively and together to fix a broken global economy and thus fulfil their responsibility to govern in the interests of people, or they may choose to dodge that responsibility and do what the banks are telling them to do. There are already signs that governments are prepared accept higher unemployment and even greater inequality, and unless they go ahead with fundamental reform, they will also be accepting that another and

possibly deeper crisis will become a fact of life. There is a real possibility of extreme social tension or worse if governments continue to put the interests of banks and finance ahead of jobs and social justice," said Ryder.

The ITUC represents 175 million workers in 155 countries and territories and has 311 national affiliates. Websites: www.ituc-csi.org and <http://www.youtube.com/ITUCCSI> .

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