

# FINANCIAL STABILITY AND GLOBAL GOVERNANCE

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21 March 2014

# MUCH MORE NEEDS TO BE DONE

- Extreme pro-cyclicality
- Endogenous risks are underestimated
- Excessive credit creation for the wrong purposes
- Liquidity in the wrong assets
- The system has become too complex and interconnected
- Lack of transparency, uncontrolled third-party-risks
- Maturity mismatches
- Too many incentives in favour of risk-taking
- Global imbalances not addressed

# WHAT TO DO?

- More diverse bank system. Break up banks that fail, don't merge them
- Manage the mix of credit by category through quotas and licenses
- Higher bank capital ratios so that they can be lowered in downturns
- No tax biases in favour of debt
- Accounting rules to follow business logic
- Reintroduce partnerships in investment banks
- Make Central Counter Parties the norm, not the exception

# MARRIAGE IN TROUBLE

- Growing mismatch in territoriality between a global market economy and mainly national public orders
- The glue, the Rule of Law, is withering away

# Insufficient governance

- ❖ Limited scope
- ❖ Lack of authority
- ❖ Lack of transparency
- ❖ Lack of accountability
- ❖ Undermined nation-states

# Proposal

- ❖ World Market Charter
- ❖ Assembly and Council
- ❖ Judicial system
- ❖ Wider role for existing institutions
- ❖ Transparent processes

# From evidence over legislation to enforcement

