GlobalResearch
Center for Research on Globalization

The World Economic forum (WEF): Requiem for an overweight

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Theme: Global Economy

Global Research, February 04, 2009
4 February 2009

"The WEF is not a government of the world," said organiser Andre Schneider wistfully in the crisp Davos air.

The world's economic elite gathered in a subdued atmosphere at this year's World Economic Forum to assess the now global economic crisis. New York University professor Niso Abuaf compared it to a funeral, though not for the sake of the dead "*ancien regime*", but "for the ones staying behind." Attendees at the wake included 40 heads of state, 1400 business leaders and the usual assortment of "social entrepreneurs".

There were significant departures from earlier gatherings. The keynote speaker was Russian Prime Minister Vladimir Putin, who used his 30-minute speech to portray Russia as a reliable partner in energy, trade and politics amid the widening global economic crisis. He described the world financial crisis as a "perfect storm" in which "we are all in the same boat," acknowledging that Russia has been hit by the plummeting oil prices and a virtual western financial boycott following the war with Georgia last summer. Andrei Kostin, chairman of VTB Bank, admitted that without a recovery in the West, "a Russian return to stable economic growth is not possible."

United States President Barack Obama and his new cabinet were conspicuous in their absence. Also conspicuous by their absence were the private bankers — "banksters", in the words of US president Franklin Delano Roosevelt. G8 central bank heads attended, with the notable exception of US Federal Reserve Chairman Ben Bernanke, presumably to avoid being tarred and feathered. Some of the other guilty parties were less shy, with this year's sponsors including Citigroup, Bank of America, Merrill Lynch, UBS and Satyam, the global technology services company that has the distinction of being considered India 's biggest fraud. "The critics do ask if those who have been part of the problem can be part of the solution," equivocated Schneider before insisting, "Yes, that's the only way to find the solution." It never crossed his mind that the culprits might better serve the "global public interest" from behind bars, stripped of their ill-gotten gains.

One of the few voices of reason was Harvard economics professor Ken Rogoff, who insisted that governments would have to take over the failing banks, divide their assets into good and bad, and then restructure them. Institutions like Citi and Bank of America will have to go, boards will have to be fired and equity stakeholders wiped out, Rogoff told CNBC.com. "They have to do a bad bank, but if that's all they do then it's idiotic."

Nassim Nicholas Taleb also told WEFers that governments had to nationalise the banks, limiting the rewards handed out to those who work in what he calls the "utility" part of the system and keeping a completely uninsured second leg that can take all the risks it wants and lose its shirt. “They rigged the game… For someone who loves free markets, a total nationalisation of the part of the business that requires insurance and does clearing and payments needs to happen. I want them poor and they deserve to be poor. You can’t have capitalism without punishment.” If only.

Ex-World Bank economist and Nobel Prize winner Joseph Stiglitz went a step further, advising the UK government not to prop up a corrupt edifice, but to let the entire banking system collapse in order to build up a well-regulated system from scratch under temporary state control. “The UK has been hit hard because the banks took on enormously large liabilities in foreign currencies. Should the British taxpayers have to lower their standard of living for 20 years to pay off mistakes that benefited a small elite?” he asked a *Daily Telegraph* reporter rhetorically the day after the funeral wake was over. Of course, pulling the plug on the British banks could mean the collapse of the entire international banking system, but this may happen anyway.

The debate about nationalisation of banks led to one about the need for a new “sheriff” to police global financial markets. Pooh-poohed just last year, it is now virtually conventional wisdom, showing how far the global elite has had to shift along the ideological spectrum because of the crisis. The hardcore globalists argued that a new international body is needed, with authority to prevent banks and corporations from using so-called offshore banking (read: money laundering and tax evasion) to bypass national governments. The softcore argue that those national governments should merely work together in a less formal fashion to coordinate policing. Even the Great Deregulator Bernanke said from afar recently, “The world is too interconnected for nations to go it alone in the economic, financial, and regulatory policies.”

The silver lining in the current crisis is that everyone agrees that something must be done and fast. Bankers are at long last in the dock, a golden opportunity for governments to push for better regulation. Obama’s Chief of Staff Rahm Emanuel’s philosophy is, “You never want a serious crisis to go to waste.” This crisis is an “opportunity to reweigh your life”, as Abuaf calls the funeral gathering mourning the overweight corpse, a chance to tame the world banksters.

It is unlikely that some World Financial Control Centre will be agreed any time in the near future, nor would this necessarily be a positive development, given who would most likely fill its seats at this point. Giving the IMF, World Bank or Bank of International Settlements greater authority would be putting the fox among the chickens.

There is still plenty of room for regional institutions to better coordinate their activity. During the recent crisis — when it was already too late — it became clear that there was no budget for EU financial intervention in an emergency or even a pan-European banking supervisor. The failed bank Fortis was carved into chunks which national governments dealt with separately. A plan to correct this yawning gap will be presented this month, no doubt providing the European Central Bank with greater powers.

Charles Goodhart, a former top official at the Bank of England was pessimistic: “The only people who can take up action are the nation states. I think the crisis has set back globalism and world federalism by a long way.”

One national government which intends to do something about the problem is Obama's. There are signs Obama may be biting the financial bullet. Incensed by the $18.4 billion Wall Street bonuses for 2008, Obama told reporters, "That is the height of irresponsibility. It is shameful." He pointed to a $50 million corporate jet that Citigroup ordered "at the same time it was taking TARP money," demanding the plane order be cancelled and stating a cap on Wall Street incomes would be part of TARP II. Waste not (the serious crisis), want not.

He was one of the signatories of last year's congressional Stop Tax Haven Abuse Act that blacklisted Jersey , Guernsey and 32 other jurisdictions. Eighty-three of the largest 100 US corporations use tax havens to avoid taxation, and Obama promised to introduce a law to stop this within weeks of taking power. France and Germany are drawing up a similar blacklist, much to the UK's disgruntlement — if Jersey and Guernsey go under, they would topple London from its role as premier world bankster (sorry, banker). French Prime Minister Francois Fillon told French parliament, "Black holes like offshore centres should no longer exist. Their disappearance must be a prelude to a reform of the international financial system."

Transparency International France estimates that about $10 trillion are stashed in secret offshore accounts away from the prying eyes of regulators or tax inspectors. Given the importance of tax havens and offshore banking to both the biggest corporations and to the biggest drug and arms dealers, if Obama holds firm — against intense lobbying, you can be sure — this could be the most important legacy of his presidency, fulfilling his fervent wish to make it into the history books beside his beloved Lincoln, who famously said during the Civil War, "I have two great enemies, the Southern Army in front of me and the bankers in the rear."

This push for global regulation of the criminals is part of the process of greater globalisation for us all. Schneider may be right that the WEF is no world government, but it and the likes of it are where economic policy is formulated these days. The Bush regime already agreed to a proposal by Britain and France for a "college of supervisors" at the G20 summit in Washington last November. We are being globalised whether we like it or not. The question is: who will supervise the supervisors? It all comes down to responsible national governments with the interest of their citizens in mind, not just of their banksters and corporate sponsors.

As each country goes to the ballot box over the next few years, the crisis will play itself out in electoral populist battles, and this time, voters will be expecting action, not just more of the same. To get it, they will have to mobilise their own "sheriffs" to police their fair-weather politicians. Stay tuned for the G20 update of the global soap-opera in April.

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