

Would you bank on them?



**Why we shouldn't trust the
EU's financial "wise men"**

February 2009

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Executive Summary

The financial crisis has unleashed a huge debate on the state of the global financial system. As politicians examine fiscal solutions and regulatory reforms, the big question is how supervision and regulation should be changed to avoid a repetition of the present meltdown.

In the EU, the Commission and the Council has set up a High Level Group of eight experts to advise them on how to reform the financial system in terms of supervision and regulation. Given the now obvious failings of the current system and individual financial sector institutions, it would seem prudent to seek advice from a diversity of sources, including from independent experts who had expressed concern about the flaws in the current financial architecture.

However, the group - named the de Larosière Group after its chairman - is comprised of people closely linked to the financial industry, or to institutions that, to a greater or lesser extent, have been implicated in the crisis. Four members of the group are closely linked to giant financial corporations that have all played a major role in the current financial crisis, a fifth was the head of the UK Financial Services Authority that completely failed in its supervision of bust bank Northern Rock, a sixth is a fierce enemy of regulation and a seventh works for a company whose clients include major banks.

Beyond this, some members of the Group failed to warn of the impending financial crisis and lately they have even played down its extent and severity. The majority have expressed strong support for a deregulated financial sector and can be deemed to have supported hard-line, neo-liberal policies that arguably created the financial crisis. They are the very kind of people who got us in to the mess. The eight members are:

Jacques de Larosière: Co-chair of the financial sector lobby organization, Eurofi and until recently, adviser to the French bank BNP Paribas for a decade

Rainer Masera: Former Managing Director of a European branch of Lehman Brothers, which went bankrupt after heavy losses on subprime loans

Onno Ruding: An adviser to Citigroup, owners of Citibank that received billions of US dollars in a bail-out

Otmar Issing: Adviser to the financial giant Goldman Sachs

Callum McCarthy: Former head of the UK Financial Services Authority, accused of systematically failing in its duty over bust British bank, Northern Rock

Leszek Balcerowicz: A strident advocate of deregulation

José Pérez Fernández: Works for a financial market intelligence company, which counts big banks as clients

Lars Nyberg: A career banker, now vice chair of the Swedish National Bank.

That such a group has been selected to play a key role in the EU debate on the response to the crisis is deeply worrying. It is unlikely to open up any debate on real alternatives to the present financial architecture.

Policy capture by vested interests results in flawed policies and regulations. Europe's leaders must end the privileged access to decision makers enjoyed by the powerful finance sector lobby. At the same time, they must also curb the power that the private sector holds over the political process in the EU and make decision-making democratically accountable.

Introduction

"In the case of legislators, I am convinced that over the years there has been too much 'regulatory capture' by the sell side of the financial services market: Their lobbies have been strong and powerful."

Charlie McCreevy, Commissioner for Single Market and Services, February 2009.¹

Throughout Europe millions of ordinary workers are asking themselves if they will be out of a job in the near future. The economic crisis is now impacting on peoples' livelihoods across the EU. As politicians, governments and officials struggle to respond, they are asking how the crisis could have been avoided and how to escape what is now seen as the worst recession for over 50 years.

The answer to a question, inevitably depends on who you ask. In the case of the financial crisis, the Commission and the European Council have decided to seek advice from a group of eight financial experts. These eight are members of what is known as a High Level Group, which was approved by the Council in October on the recommendation of the Commission. This High Level Group on EU financial supervision, often referred to as the de Larosière Group, is tasked with proposing a response to the crisis before the European Council's Spring Summit in March.²

The High Level Group will exert significant influence on the international response to the crisis. According to the President of the European Commission José Manuel Barroso, the Group's recommendations "will help us to develop our proposals for shaping global financial markets".³ Even before seeing the group's conclusions, Commissioner McCreevy has stated that the recommendations will form the basis of a Communication, to be discussed at the Spring European Council.⁴ This will happen just days before the crucial G20 summit on the financial crisis in London in April, attended by new US President Barack Obama.

This is a group with huge responsibility and an important mandate. Consequently one would expect the Council and the Commission to have shown the utmost care when selecting the members. This is particularly important given the recent acknowledgment by the Commission that there has been too much "regulatory capture" by the financial industry and that this is part of the root of the crisis.⁵

McCreevy has also conceded that the Commission must be more "objective".⁶ Given his comments and the severity of the present crisis, the public could expect the Commission to have consulted a broad range of independent experts, including representatives from all interested stakeholders and a variety of political if not economic views.

For this report, we examined whether the group's members represent a range of stakeholders, or whether they are firmly tied to the financial services industry. We also investigated the diversity of opinion among the members. This report outlines these views, examines the institutions they are connected to and what role these organizations are playing or have played in the current crisis.

In our view, the composition of the group is astonishing. It is hard to imagine a clearer example of privileged access to decision-makers by vested interests. The report's conclusion stresses a point repeatedly made by transparency campaigners over the years: privileged access by corporations should end and a new open culture of expert advice introduced.

Jacques de Larosière



- Senior advocate of “common sense” over regulation
- Co-Chair of banking industry lobby group
- 10 years as an advisor to BNP Paribas

Jacques de Larosière is a highly regarded senior figure within the banking industry. He was Managing Director of the International Monetary Fund (IMF) in the 1980s. He was then Governor of the Bank of France. During the 1990s he was head of the European Bank of Reconstruction and Development (EBRD), which was established to support economic reforms in Central and Eastern Europe, and is widely seen as a driver of privatization. He resigned from the EBRD in 1998.

From 1998 until July 2008, he advised Michel Pébereau, the Chairman of BNP Paribas, one of Europe's major banks. BNP Paribas was the first European bank to sound the alarm in August 2007. The bank froze €1.6 billion, citing uncertainty as the reason. BNP Paribas said it was unable to assess the value of the investments in asset-backed securities and barred investors from cashing in on them. However, BNP Paribas lost comparatively little compared to its competitors and is in a strong position today. BNP Paribas may be the largest deposit bank in Europe and, consequently, has a very high stake in EU decision-making.

No more regulation, just “more common sense”

Jacques de Larosière is also the Co-Chair of Eurofi, a Paris-based think tank and lobby group, which is “dedicated to the integration and efficiency of EU Financial, Insurance and Banking Services markets”.⁷

Eurofi was set up in 2000 “with the aim of contributing to the convergence of views between practitioners and public institutions regarding the integration of the European capital market.” Its membership includes many key players in the financial sector: Axa, Aviva, BNP Paribas, Cassa Depositi e Prestiti, Caisse des Dépôts et Consignations, Caisse Nationale des Caisses d'Épargne, CNP Assurances, Citigroup, Crédit Agricole, Deutsche Bank, NYSE Euronext, Goldman Sachs, JP Morgan Chase, La Banque Postale, Société Générale, and the European Investment Bank.⁸

“Don't jump to hasty conclusions... Many of the required improvements should be the result of better standards and principles agreed upon by the industry.”

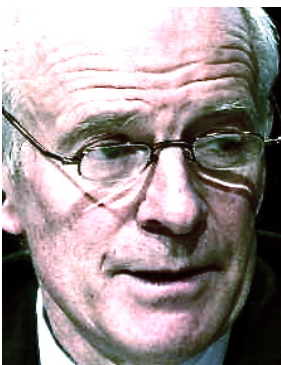
Jacques de Larosière, March 2008

In March 2008, de Larosière wrote an article posted on the website of Eurofi on “The present financial crisis, a tentative list of possible avenues”. Included in his recommendations were that “banks should give priority to risk assessment and management”; that “the ‘parallel banking system’ should be required to abide by minimum reporting obligations”; and that “the positive aspects of securitization, which has an important role to play, need to be strengthened”. His final note warns against “jumping to hasty conclusions”.

By his own admission, most of his recommendations “do not require more regulation”. Instead, what is needed is a “more common sense in the implementation of existing rules”. “Many of the required improvements” he says, “should be the result of better standards and principles *agreed upon by the industry*” (emphasis added).⁹

Jacques de Larosière’s statements show a clear preference for “self-regulation” of financial services institutions. This is a very different message from what most independent analysts of the financial crisis are saying, which is that the lack of oversight and control on banks contributed significantly to the current crisis. His thinking is similar to the major banks in Europe, one of which, BNP Paribas, he has had a long-standing relationship with.

Callum McCarthy



- **Chairman of the UK Financial Services Authority, 2003 – 2008**
- **Presided over FSA’s “systematic failure of duty” over recently nationalized UK bank, Northern Rock**
- **Failed to see risky business models**
- **Previously worked for banks such as Barclays**

Sir Callum McCarthy was Chairman of the UK financial regulator, the Financial Services Authority (FSA), from September 2003 to September 2008. He previously held senior positions in Barclays Bank and the private bank Kleinwort Benson, as well the UK Department for Trade and Industry.

Northern Rock: “not just sleeping, you were comatose”

In early 2007 as the financial crisis began to intensify, the FSA, under McCarthy, was still arguing for “light touch” regulation for hedge funds, seen as a key driver of financial instability.¹⁰ In autumn 2007, McCarthy said the growing calls for increased regulation of the financial services industry were a “mad dog” reaction.¹¹ By then the European Central Bank had already pumped €95 billion into the market to improve liquidity and the UK had experienced a run on a bank, Northern Rock.

Early in the crisis the FSA reassured people that Northern Rock was “solvent.”¹² Economics journalist Alex Brummer, author of *The Crunch*, noted that the FSA’s “actions suggested it hadn’t a clue about the weakness of the Rock’s securitization model.”¹³

The FSA was widely seen as the regulatory authority with the most to blame for allowing Northern Rock to fail. It was accused by the British MP John McFall, head of the influential Treasury Select Committee, of “not just sleeping, you were comatose” over Northern Rock.¹⁴ The Treasury Committee’s report on the scandal determined that the FSA had “systematically failed in its duty.” “The failure of Northern Rock, while a failure of its own board, was also a failure of its regulator,” it said.¹⁵

McCarthy's refusal to accept responsibility for the FSA's role in Northern Rock's downfall angered parliamentarians. One MP on the Committee, Sion Simon, told McCarthy: "You are the Sugar Ray Leonard of the financial services sector; a world-class ducker and diver, bobber and weaver."¹⁶

Silencing critics, failing to see the risks

When a senior UK politician, Liberal Democrat Treasury spokesperson Vince Cable, raised concerns about Northern Rock, it was reported that McCarthy had tried to "gag" him. Cable said: "Sir Callum said I was scaremongering, that there was no problem with the bank and that it had a good loan book, and any problems were due to international markets beyond its control."¹⁷

In February 2009, McCarthy's ex-Deputy Chairman, Sir James Crosby, resigned from the FSA after allegations that he had helped silence a whistleblower from within HBOS, one of Britain's largest banks, who had repeatedly warned about the excessive risk being undertaken by the bank.¹⁸

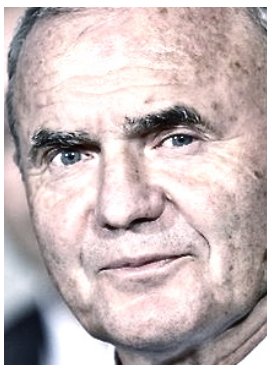
In fact, the FSA failed to examine the risky nature of the whole banking sector. McCarthy's replacement at the FSA, Lord Turner, has now admitted that the FSA and other regulators had failed to see that by 2004 the banking system was moving in a direction that created a "large systemic risk". "With hindsight" said Turner "the FSA was focused too much on individual institutions and not adequately focused on the totality of the systemic risks across the whole system, and whether there were entire business models, entire ways of operating, that were risky."¹⁹

Given, McCarthy's controversial background, it is surprising that he was picked as the only member of the group with recent experience in banking supervision.

"The failure of Northern Rock, while a failure of its own board, was also a failure of its regulator."

UK Treasury Select Committee report on Northern Rock

Otmar Issing



- **Orthodox monetarist views**
- **Advisor to US giant Goldman Sachs, which has been short-selling during the crisis**

Otmar Issing has been called "Europe's High Priest of Monetary Orthodoxy"²⁰ and is seen as a die-hard monetarist. After a career at the German national bank, the Bundesbank, he joined the European Central Bank (ECB) and was one of the key architects of the Euro. He served for eight years on the ECB's Executive Board and Governing Council, and as the Bank's chief economist.²¹

Like Leszek Balcerowicz (page 9), Otmar Issing is a member of the board of trustees of the German Friedrich August von Hayek Foundation that promotes a neoliberal economic and social order (Hayek is regarded as one of the founding fathers of neoliberalism).²² In 2003 Issing won the Foundation's International Prize along with ex-British Prime Minister Margaret Thatcher.²³ He is also the president of the Center for Financial Studies, a research institute affiliated with the University of Frankfurt. It is financed by the "Gesellschaft für Kapitalmarktforschung" (Society for Capital Market Research), which comprises of more than 80 banks, insurance companies, consulting firms and commercial enterprises.²⁴

Wall Street's powerhouse, inside Europe

Issing retired from the ECB in June 2006. Four months later he was advising the giant investment bank Goldman Sachs. Normally the ECB would require a 12 month "cooling-off period" to avoid conflicts of interests, but in this case it accepted Issing's move on the grounds that his job would be a "loose advisory position" unconnected to the daily business of the finance house.²⁵

It has been pointed out that Issing's appointment on the de Larosière panel gives Goldman Sachs a competitive advantage in Europe. Financial analyst Klaus C. Engelen, a contributing editor to *The International Economy*, a specialized quarterly magazine covering global financial policy, argues that "with the nomination to the group of Otmar Issing, Goldman Sachs landed a strategic coup".²⁶

"With the nomination to the group of Otmar Issing, Goldman Sachs landed a strategic coup."

Financial analyst Klaus Engelen on the de Larosière Group

Engelen also notes Issing's other role as an adviser to German Chancellor Angela Merkel on the crisis, as part of a similar "expert group". He says: "Wall Street's powerhouse now has its own man in the most important new European expert panels - a nightmare for main rival Deutsche Bank."²⁷

Did Goldman Sachs' tactics contribute to the crisis?

Goldman Sachs' role in the subprime crisis is markedly different from other investment banks. By February 2007 Goldman Sachs was "poised to profit from the subprime meltdown".²⁸ The company started selling the securities related to subprime loans in a move called "short-selling", by which the losses incurred through the falling prices on subprime loans was more than outweighed by the bet.²⁹

Short-selling became a controversial issue in 2008 when it was used by many investors to make a quick profit. The contribution short-selling was making to financial instability prompted several countries to temporarily ban it. Even so, when a German expert group, under Issing's leadership, came up with its first proposals in November 2008, it ignored the issue of short-selling, even though it is seen by many as a key contributing factor to the current crisis.³⁰

The issue of short-selling might present a potential conflict of interest for Issing and his association with Goldman Sachs in the de Larosière Group's discussions.

Leszek Balcerowicz



- A free-market champion and advocate of deregulation
- Long associated with US and EU free-market / libertarian think tanks

Leszek Balcerowicz is a Polish economist and former chairman of the National Bank of Poland. He is chair of the Brussels-based think tank Bruegel, whose stated aim is “to contribute to the quality of economic policymaking in Europe”. Its corporate members include Deutsche Bank, Goldman Sachs, Unicredit and Fortis (one of the first European banks to seek a state bail-out). As of February 2008, Bruegel had not registered on the Commission’s register of lobby organizations.³¹

Architect of the Polish Economy

As Poland’s Finance Minister in the early 1990s, Balcerowicz steered the country from a state planned economy to a capitalist free market economy, with what is known as the “Balcerowicz Plan” or, more commonly, “shock therapy”.³²

His economic plan used “recipes that sound now like a caricature of Thatcherism: tight monetary policy, free prices, privatization, cuts in the state budget”, wrote *The Times* in 2006.³³ At the time Balcerowicz conceded “that as a result of his plan the real income of Poles may fall by 20 per cent next year, industrial production may drop by 5 per cent and hundreds of thousands of workers may be laid off”.³⁴ Poland’s free market capitalism also threw up “scandal after financial scandal”. As the *Washington Post* wrote: “unscrupulous entrepreneurs profited from loopholes, corrupted politicians, and made off with billions”.³⁵

“Free market capitalism provides the greatest security”

The European Enterprise Institute, a rightwing think in Brussels gave Balcerowicz the award for “The Greatest European Reformer 2007”. The EEI argue that, to a large extent, the financial crisis has been created by government intervention, and that the world needs freer financial markets and less government intervention.³⁶

The same year, Balcerowicz was dubbed “a free-market champion” by *The Wall Street Journal*.³⁷ He is “one of the great heroes of liberalism in the world” according to Ed Crane, founder and President of the think tank, the Cato Institute, a libertarian think tank that promotes deregulated markets and limited government, with which Balcerowicz has had a long association.

For example, in April 2007, the *Washington Post* noted that “Balcerowicz was at the Cato Institute in Washington doing what he likes best - spreading the gospel of free markets” and outlining the “intellectual arguments for deregulation, privatization and lower taxes”.³⁸

“One of the great heroes of liberalism in the world.”

These arguments have proved disastrously wrong. In March 2007 Cato senior fellow, Daniel J. Mitchell “a top expert on tax reform” wrote: “Listen up, Gordon

Ed Crane, founder and President of the Cato Institute

Brown and George Osborne [UK Conservative shadow chancellor]... Tax reform and economic liberalization have helped Iceland prosper. Let's hope that other industrial nations will learn from Iceland's success".³⁹ Eighteen months later, Iceland's banking system collapsed, forcing the government's resignation. It became the first Western European nation for 30 years to get an IMF loan.

Balcerowicz is also associated with the American Enterprise Institute (AEI), a neo-conservative think tank.⁴⁰ In one speech he said that it was "the introduction of free market capitalism that provides the greatest security for democracy in the long run", without which "civil society degenerates into interest groups which endanger economic growth and poison public life."⁴¹

Balcerowicz brings to the group a dogged promotion of deregulation backed by well organized neoliberal networks of intellectuals and think tanks.⁴²

Onno Ruding



- **Former Vice Chairman of Citicorp, now on Citigroup's International Advisory Committee**
- **Warns against "a backlash of aggressive regulation"**

Ruding's career has seen him move in and out of the public and private sectors. He worked for the International Monetary Fund and Dutch bank AMRO before entering politics in the early 1980s, becoming Minister of Finance under Premier Ruud Lubbers. Lubbers' government was famed for its deregulation and privatization agenda, and Ruding used his tenure to draft the early liberalization of the financial sector in the Netherlands.

Throughout the 1990s, Ruding worked for Citicorp, now Citigroup, becoming Vice Chairman of Citibank in 1992.⁴³ In the early nineties he also acted as a lobbyist, for Dutch and European employers especially, on issues of corporate taxation. He retired in 2003, although he remains on Citigroup's International Advisory Committee.⁴⁴ He is also Chairman of the Board of the Centre for European Policy Studies (CEPS) one of the most important neo-liberal think tanks in Brussels.⁴⁵

"Problems will come to light in the United States and maybe also in Germany. The Netherlands is expected to remain out of that. This is partly thanks to our supervisory structure."

For many years Citigroup was the world's largest bank (by revenue). However, by November 2008, it was forced to accept a bail out from the American government, which provided it with \$20 billion in additional capital whilst guaranteeing a further \$306 billion of Citigroup's assets.⁴⁶

Onno Ruding on the financial crisis, August 2007

Warning against a backlash of aggressive regulation

In the same month that Citigroup was bailed out by American taxpayers, Ruding made a speech in which he defended liberalization saying that: "Since 1980, the world has experienced a wave of deregulation and liberalization, particularly for financial markets and institutions. These developments have contributed substantially to economic growth... We should take the needed corrective actions to curtail this excessive use, but we should also avoid overreacting by a backlash of aggressive regulation or re-regulation".⁴⁷

Ruding's failure to predict how far and wide the financial crisis would extend was proved wrong in the Netherlands. It contrasts with the view of others who foresaw the scale of the crisis, but who are absent from the de Larosière Group.

Rainer Masera



- **Head of Lehman Brothers FIG, Italy. Parent company filed for bankruptcy in 2008**
- **Long time board member of the European Investment Bank, criticized for its lack of accountability**

Rainer Masera is an Italian banker. He has been on the board of the European Investment Bank, the long-term lending institution for the EU, for over a decade. He was formerly Central Director at the Bank of Italy, head of the Italian Sanpaolo IMI banking group, and chairman of the former Italian private bank, Banca Fideuram.⁴⁸

Lehman Brothers' catastrophic impact on confidence

From May 2007, Masera was also Managing Director and Chairman of Lehman Brothers' Financial Institutions Group in Italy.⁴⁹ In September 2008 parent company Lehman Brothers filed for bankruptcy, sending shock waves through the financial system. The bank was very exposed to unsecured mortgages in the US subprime market, where it was said to be a "dominant force". As one US magazine reported: "Lehman's crown jewel was its real-estate businesses". However, "real estate was where all the problems were".⁵⁰

The International Economy, noted that "The nomination to the [de Larosière] group of Rainer Masera, a former managing director of Lehman Brothers which collapsed recently causing terrible losses to European institutions and investors, met with sharp criticism."⁵¹

European Investment Bank's lack of accountability

During the 10 year period that Masera has been on the board of the European Investment Bank (EIB), it has been the subject of much criticism: for its lack of transparency, accountability and the potential conflicts of interests of some of its directors.⁵²

Masera was one of those criticized in 2004 for his potential conflict of interest. At the time he was President of the Italian bank Sanpaolo IMI which received more than €800million in loans (not including loans to subsidiaries) between 1995 and 2004. Sanpaolo IMI was also the majority shareholder in two other EIB intermediary banks: Slovenia's Koper and Hungary's Inter-Europa. An article in *EuroMoney* noted, under the headline 'Doubts about transparency' that "Directors

have to declare their other directorships internally and abstain from discussing any matter that might raise conflicts of interest for them. But potential conflicts have not been made public."⁵³

The problems at EIB did not escape the attention of Europe's politicians. In 2004, Spanish MEP Mónica Ridruejo prepared a controversial draft report for the European Parliament's Committee on Economic and Monetary Affairs on the activity of the EIB. It noted that the bank "failed to comply with good governance rules" and criticized its policy on conflicts of interest and risk management.⁵⁴

BankWatch has argued that the "EIB has shown a notable disregard for addressing a number of important policy issues", including transparency and accountability.⁵⁵ Friends of the Earth called EIB "a ghost bank, which is in no way properly accountable to the people who fund it."⁵⁶

Until recently Masera held a senior position at Lehman's, which encouraged unsustainable risk taking. The same concerns that have dogged the EIB, with which he has been closely associated for a decade - over transparency and accountability - are now being directed at the de Larosière Group.

José Pérez Fernández

- **President of a financial market intelligence company, which counts big banks as clients. He also previously worked for BBVA**

José Pérez Fernández has spent most of his career working for Banco de España, the national bank of Spain.⁵⁷ He then moved to the private sector to Banco Bilbao Vizcaya Argentaria (BBVA)⁵⁸ where he was Managing Director.⁵⁹

He is currently the chairman of InterMoney, a web-based service specializing in currencies and bonds.⁶⁰ InterMoney is a project of IDEAglobal which is "a leading supplier of independent and impartial advice" to banks. It claims that "of the 50 largest financial institutions as ranked by Euromoney, all but four are clients of IDEAglobal".⁶¹

Lars Nyberg

- **Warns against becoming "overzealous about regulation"**
- **Opposed to regulation of hedge funds, which he thinks didn't contribute to the crisis**
- **Worked for decades in the private banking sector**

Lars Nyberg spent two decades in the private financial sector before becoming Deputy Governor of the Swedish central bank, Riksbanken in 1999.

Nyberg acknowledges that the present crisis calls for further regulation, but warns repeatedly against becoming "overzealous about regulation".⁶² Lately he has suggested that there's a need for more regulation on investment banks, but in January 2008 he also denied the need for the regulation of hedge funds.⁶³ He has been and remains fundamentally favorable to the creation of very complicated financial products, but emphasizes the need for transparency and "clear and continuous pricing information."⁶⁴

Conclusion

An economic recession on the scale predicted should lead to radical and comprehensive reform of the financial industry. Certain regulations, structures and procedures need to be put in place to ensure that a crisis of this kind never happens again. To identify such reforms, Europe's leaders must not just listen to the views of those closely associated with the present system, or with the financial giants whose interests have generally been accommodated in the past.

In these terms, the de Larosière Group is clearly a failure. It seems designed to produce a result that will be no real challenge to the present financial architecture. Four members are closely linked to giant financial corporations, such as Goldman Sachs, BNP, Lehman Brothers and Citigroup. A fifth was the head of the UK Financial Services Authority that completely failed in its supervision of Northern Rock. A sixth member is a fierce enemy of regulation, and a seventh works for a company that relies on banks. On top of this, most of the members of the Group support strong monetarist, neoliberal and de-regulatory policies that many analysts are saying created the financial crisis.

There are numerous reforming ideas and proposals being discussed by different groups in society that cannot be expected to be addressed by this group because of its composition. For instance, there is the strong debate in the European Parliament on the regulation of capital and equity funds, which could have been raised had an MEPs or independent experts been on the Group. Other ideas include the various proposals for supervision of the financial sector put forward by UNI-Finance⁶⁵, a trade union body in the financial sector. The views of consumer organizations are also absent.

The Commission's own codes of conduct hold it responsible for ensuring broad representation in expert groups. However, this is far from standard practice.⁶⁶ As recent research by Friends of the Earth Europe has shown, the de Larosière Group is typical of the general trend of corporate dominance in the High Level Groups set up by the Commission.⁶⁷

With the de Larosière Group, the Commission has repeated the mistakes of the past. It has set up a High Level Group dominated by the very kind of people that created the crisis in the first place. It could have taken the opportunity to consult widely to try and create a more democratic and stable financial system. But instead of a broader public policy debate, the Commission has again gone for a process 'behind closed doors'. This puts policy-making on a key issue for all Europeans into the hands of a small group of experts with strong connections to the financial industry. The de Larosière Group highlights once again the vice-like grip the financial lobby has on decision making in the European Union.⁶⁸

The fact that such a group has been selected to play a key role in the EU debate on the response to the crisis is deeply worrying. Policy capture by vested interests results in flawed policies and regulations. It is time to end the privileged access to decision makers enjoyed by the powerful financial lobby, and more generally to curb the power corporations sector hold over the political process in the European Union.

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