

Calls to send strong G7 signal

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Finance ministers and central bankers from the Group of Seven leading economies were last night edging towards common ground for co-ordinated action to stabilise the global financial system ahead of their meeting in Washington.

The UK and Germany led calls for a strong unified signal to world markets, while Christine Lagarde, the French finance minister, said co-operative measures were needed although each country should design measures suitable for its specific problems.

Alistair Darling, UK Chancellor, called for "a clear commitment today" adding, "It is a real test of international institutions that we actually sign up to doing things rather than a piece of process".

Such action would represent outlays of hundreds of billions of dollars in each country to provide liquidity to markets, capital to banks and other financial institutions, and a backstop to money markets to restore confidence among banks and get money moving again.

None of the ministers or central bankers were sure a plan, if agreed, would work but with stock markets in freefall, a vicious circle operating between the dysfunctional financial system and sickly economies and banks unable to borrow from each other even overnight, they agreed the situation was grave with the possibility of a collapse of the world's financial system.

In the run-up to the G7 meeting, the expectation had been that countries would agree on broad principles for countries to follow without any specifics. But by Friday morning, the danger with such an outcome was that it would be seen to be insufficient compared with the gravity of the situation.

The planned agenda had been torn up. The group of 20, including China and other large emerging economies, scheduled an unplanned meeting on Saturday. And G7 finance ministers also set up a meeting with George W. Bush, the US president, for the weekend.

The UK did not want every country to follow its rescue plan, but Mr Darling insisted that plans for liquidity, bank recapitalisation and government support for wholesale money markets was vital if confidence was to be restored.

The US, having passed the \$700bn bail-out plan by Hank Paulson, Treasury secretary, and with enormous action by the Federal Reserve undertaken already, appeared able to sign up to a similar set of actions, relevant to its larger and more diverse financial system.

Axel Weber, the head of Germany's central bank, the Bundesbank said: "We must provide far-reaching help for self-help to financial institutions." The German government is working on a bank recapitalisation plan, officials confirmed yesterday without providing details.

One G7 country said Italy and Canada were also ready to launch a similar plan.

From its experience of its banking crisis of the early 1990s, Japan has become increasingly vocal supporting radical steps to restore stability. Its government said it would host a summit of the G8 in coming days if necessary - Japan currently chairs the G8.

It is rare for the scheduled G7 meetings to have such an importance for financial markets, and ministers were well aware that the world was looking to them for some answers. In a press briefing, Ms Lagarde lightened the mood when it was revealed that she had been part of the French synchronised swimming team and so understood the benefits of co-ordination. She replied "you also have to hold your

breath". But even if a plan of action is agreed, G7 officials understand, so deep is the global financial crisis that there is no guarantee it will work.

The next steps would be either to guarantee all liabilities of banks, effectively nationalising the financial system; or for governments to seek to bypass financial institutions by lending directly to companies and households.

Fonte: Financial Times, London, October 11 e 12 2008, Primeiro Caderno, p. 5.

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