Financial Reform: The End of International Coordination?

Discussion of presentations of Avinash Persaud, Nicolas Veron and Aditya Narain

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International Cooperation in Times of Global Crisis: Views from G20 countries

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  - 2. Efficiency and high lending standards
    ▷ Quality of banks' loan portfolio and efficiency and not sheer volumes of credit are key elements in the channel though which finance propagates growth (Jayaratne and Strahan, 1996).
    ▷ Qualitative measures of financial institutions are 5 times more important than quantitative ones (Hasan et al., 2009).

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  - 3. Credit composition
    ▷ Firm lending has an impact on growth, while household lending does not (Beck et al., 2009).

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  - Countercyclical capital or loan loss provisions ? ? ?
  - Bank levy/tax/fees : Depends on the design.

    ▷ Flat rate for all banks could be passed on to customers. Rate that depends on the bank's contribution to financial stability could counteract the implicit subsidy for large institutions that have much lower funding costs.

    ▷ If fund is used to bail-out weak banks, this would decrease competition and increases moral hazard. If fund is used to resolve insolvent institutions and compensate solvent institutions, this would decrease moral hazard and increases competition.

    ▷ Resolution fund vs. Bail-out fund !

    ▷ Examples : Sweden : losses are borne by shareholders. Germany : 'bridging bank'. UK : living wills.

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- Given that liberalization has already taken place in many countries, more subtle steps are necessary to enhance competition, such as portable account numbers to overcome high switching costs (which amount to 1/3 of lending rates, "bargain then rip-off strategy"), increased transparency, credit bureaus.
- Some countries have succeeded to lessen the impact of the crisis thanks to national regulatory measures or supervisory actions.

Thank you !