



Crisis in the financial markets

Resolution adopted by the ELDR Congress on 31 October 2008 in Stockholm

The European Liberal Democratic and Reform Party, convening in Stockholm, Sweden, on 30th and 31st October 2008:

The dramatic crisis in the international financial markets and its global repercussions are major challenges for the liberal economic system, demanding a rapid joint reaction by EU Member States and a far-reaching orchestration of international efforts.

Erroneous developments in US economic and financial policy and the apparent failure of banks and insurance companies are no reason for losing confidence in the free market economy and in individual responsibility. A relapse into obsolete policies of nationalization, over-regulation and protectionism would be a major mistake. At present, it is still impossible to predict the consequences of the crisis for financial markets and the world economy as a whole. Nobody can say for sure what the extent of the crisis will be, nor the impact of government interventions.

In this situation there is no room for fantasies about new world orders or a reinvention of capitalism. What we need is a reformed and sound financial system, but no new economic order. By intervening, governments curtail the responsibility of free enterprise for the risks involved, reducing the personal responsibility of the citizen. The only guarantee for prosperity lies in the high-level personal responsibility of market participants. Personal responsibility as well as self-determination are politically and economically the driving forces of every democratic society. Therefore, the way in which the crisis is handled must not be allowed to undermine faith in the strength of a liberal order, which is by definition never risk-free.

Global financial markets require globally orchestrated regulations. The independence of the European Central Bank as well as its legal obligation for monetary stability has proven to be of enormous value. The Federal Reserve Bank's political objective to supply the US market with excessive liquidity resulting in excessive debt, and in the absence of greater supervisory control, has turned out to be a crucial mistake. However, jealously defended national competences and fear of a possible recession are preventing a more cooperative framework that would impose better regulation and enable effective financial supervision.

Therefore, ELDR urgently requests:

- Coordination and orchestration of the global finance architecture in the context of the International Monetary Fund (IMF) and the Bank for International Settlements (BIS), including the implementation of a global early-warning system in order to identify specific risks for the world economy and financial stability at an early stage.
- Globally accepted standards for supervision as well as regulation and cross-border supervision of transnational finance companies, including credit rating agencies. Capitalisation better matched to risk, counter-cyclical accounting regulations, tightened risk-management, and tougher regulation of new finance products need to be considered for harmonised and revised financial market standards.
- Enhanced EU oversight of banking, with a principal role assigned to the independent ECB and executed by the national central banks.
- Improved rules of good governance for banking and insurance companies.