

The LIBOR Fixing. Its Not Just Banks.

“The truth? You can’t handle the truth.” Col. Nathan Jessep (Jack Nicholson), A Few Good Men. In times of war, such as when we fought off the spectre of financial collapse, when banks quivered in fear and markets shuddered in despair, a few good men got together and did what they had to do. Is it right that we now question the manner in which they provided that solution? Well if you didn’t then you end up with the guns once trained on the enemy being used indiscriminately on any convenient target.

Interest rate manipulation almost certainly extended beyond LIBORs, beyond Barclays and beyond London. The banks may have stood at a point when price discovery would have doomed them to liquidation and the manipulation of LIBORs seemed justified, but the thing about morphine cures is that they’re not, and morphine is addictive. Market manipulation is never justified.

Its not just LIBORs. Think of all the times we stood on the brink and large sums of money hung in the balance. What bargains were struck last December between the banks and the ECB before the unexpected LTRO. What grubby deals must have been done in the prelude to each dose of government largesse and money printing? Is it even remotely conceivable that the central banks were not privy to the manipulation of LIBORs, if not actively encouraging it? Anyone who thinks otherwise is simply naïve.

Its not just banks. Tobacco had its day in the sun, this time its banks, tomorrow its pharma or IT or some other big business.

Capitalism has failed. Without its old nemesis, without A nemesis, capitalism has lost its foil, lost the competition that improves the breed. Even ideologies must compete to improve and to be kept hones.