

Bank of England Governor Sees New Crisis Coming

March 5—In an interview with the *Daily Telegraph*, the Governor of the Bank of England, Mervyn King, warns that the “too big to fail” and casino banking policy is making the next crisis inevitable.

“We allowed a [banking] system to build up which contained the seeds of its own destruction,” and this has still not been remedied. “We’ve not yet solved the ‘too big to fail’ or, as I prefer to call it, the ‘too important to fail’ problem. The concept of being too important to fail should have no place in a market economy.”

On the huge bonuses that the bankers continue to be paid, King blames the “too big to fail” model: “Why do banks in general want to pay bonuses? It’s because they live in a ‘too big to fail’ world in which the state will bail them out on the downside.” They are tempted to excessive risk and excessive payments: “Bankers were given incentives to behave the way they did. That’s what needs to change. We must resolve this problem.”

King believes, writes the *Telegraph*, that, “people have every right to be angry at the government and bankers because ‘out of what seems to them a clear blue sky,’ the crisis comes, they find they do lose their jobs and there’s the sharpest fall in world trade since the 1930s. ‘But, surprise, surprise, the institutions bailed out were those at the heart of the crisis. Hedge funds were allowed to fail, 3,000 of them have gone, but banks weren’t.’ Could there be a repeat? ‘Yes! The problem is still there. The ‘search for yield’ goes on. Imbalances are beginning to grow again.’”