EU to create Regional Financial Regulatory Body

The *Irish Times* reported that the financial supervisory agreements will create three pan-European regulatory bodies next year to introduce new rules to oversee EU members' financial policies, and a new European Systemic Risk Board that would monitor risks to financial stability. The plan also provides for three new pan-EU supervisory authorities, which will have binding powers to compel compliance from a member state that violates the bloc's insurance, securities, and banking rules.

Speaking to reporters after the summit, Britain's Prime Minister Gordon Brown asserted that regional financial oversight was critical and that the agreement would not undermine national interests. "It does not change the relationship between the European Union and its member states," he said. "The protocol clarifies but does not change the content or the advocation of the [positions] of the Lisbon Treaty and all these words are stated specifically in the decision that is issued today." (The Lisbon Treaty has not been implemented because it was rejected by Ireland's voters, who will be asked to vote on it once again in October.)

In reaction to British concerns, a summit statement said any decisions taken by the new bodies "should not impinge in any way on the fiscal responsibilities of member states." One example of prohibited intervention would be to mandate a bank bailout. "I have ensured that British taxpayers will be properly protected," said Brown.

The British prime minister also offered words of support for Barroso, stating: "He has proved beyond doubt that he has the vision, the determination and the courage to lead Europe forward for the next five years. Europe is and will be a better and stronger Europe under his leadership."

British leaders also objected to a plan for the European Central Bank to permanently chair the new EU systemic risk board. The final compromise plan agreed to have the ECB's General Council board, made up of 11 non-euro states such as Britain, elect the chairman of the risk board. However, as French president Nicolas Sarkozy noted of the compromise plan: "Given that there are more countries in the eurozone than not [16 to 11], the result will be the same."

Commenting on the agreement, Sarkozy said: "Nine months ago, if I had said we would agree on a system of pan-EU supervision with binding powers not one of you would have believed me." However, Sarkozy said that the changes did not go as far as he wanted.

Britain's *Guardian* quoted Sarkozy's assessment of the new EU plan: "My objective was to get a Europe-wide regulator. We have just given birth to a new European body with binding powers. It's just a starting point."

Sarkosy was also not the only observer who expressed amazement at how rapidly European attitudes towards central financial governance have changed. "If you asked me a year ago if a UK prime minister would accept a common system and principles, no one would have believed that was possible," the *Guardian* quoted a senior EU official.

Analysts have said that the EU regulatory agreement is not as far-reaching as the U.S. financial regulatory overhaul proposed this week by President Barack Obama — ostensibly to prevent another major financial crisis. While — unlike the EU agreement — national sovereignty is not an issue under the Obama plan, defenders of a strict constructionist approach to the Constitution will search in vain for federal authority to regulate the nation's economy in our governing document. A commentary about the new EU agreements in *Jurist* (an online project of the University of Pittsburgh School of Law) observed that in February, "European members of G20's financial policy body called for stricter regulation of the financial industry and liberal trade policies to help global economy recovery." It also noted that at the April meeting of the G20 in London, President Obama had called for "global financial reforms."

The commentary observed that the European Council "also underlined its continuing commitment to global regulation and supervision, especially in view of the upcoming September 2009 G20 economic summit in Pittsburgh, and reaffirmed its readiness to provide "fast temporary support" to the budget of the International Monetary Fund.

While Americans at this point should be more concerned about the Obama financial regulatory overhaul package than by what the European Union is doing, note that at the April G20 meeting, Obama called for "global financial reforms" and will undoubtedly continue this agenda at the next G20 meeting in September.

It is well to keep in mind that when a government official speaks of "reform," his plan cannot be implemented without an expansion of governmental power. Therefore, global financial reforms must, by their nature, require the expansion of *global* governmental power.

We have seen where the creation of regional economic bodies has taken the EU and this is certainly not where the United States wants to go. Ironically, regional economic bodies such as NAFTA and CAFTA have often been promoted under the mantra of "free trade." As John F. McManus commented in the pages of *The New American* magazine for October 4, 1993: "How can something containing 2,000 pages of regulations and controls have anything to do with freedom? The answer is that NAFTA is not about free trade; NAFTA is about setting up a supranational government bureaucracy to control what should not be controlled."

Americans who favor true free trade should take a long, hard look at what just occurred in Brussels, as an indication — and a warning — of what free trade is *not*.

AP Images: European Commission President Jose Manuel Barroso