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Grand claims but only tired ideas

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The biggest financial crisis since the Great Depression deserves a comprehensive, measured response, and a lot of painstaking thought about how the global economy should be run. But what the world risks hearing is an exercise in grandstanding, with tired old ideas pulled off the shelf and unconvincingly repackaged as bold new initiatives. That, at least, is the initial impression from the chorus of calls for a **"new Bretton Woods"** that has emanated from European leaders this week, particularly Gordon Brown, the UK prime minister.

Mr Brown is in danger of getting ahead of himself. Flushed with success from the international praise he has rightly garnered for acting decisively to stave off the UK's banking crisis, he has dusted off an idea that he has been touting for years – **a global "early warning system"** to combat financial crises – and called for the International Monetary Fund to take a leading role in regulating global finance.

Lest we forget, Mr Brown himself was in charge of the IMF's ministerial steering committee for a large part of the past decade and yet signally failed to implement the ideas he is parading. During this time, it was repeatedly explained to him that every early warning system devised by the finest minds in international economics, including those at the fund, either predicts crises that never arrive or misses those that do. If Mr Brown has any econometric modelling tips or has spotted any new indicators for the IMF's economists, they would be delighted to hear them.

IMF staff might also point out that, despite repeated attempts by Mr Brown's Treasury to influence their public pronouncements on the UK economy, they did repeatedly warn him about the threats from the build-up of credit and the housing boom – and were ignored. Transparency begins at home.

As for the idea of a new global regulator, anything that improves information flow and taking of decisions at the appropriate level is welcome. Yet the current crisis, while undoubtedly global in nature, did not arise from a failure of co-ordination. It arose because regulators and policymakers in a variety of countries – including the UK – made similar mistakes. They allowed credit growth and housing booms to spin out of hand and they failed to understand the risk from toxic derivatives.

Globalising regulation would not by and of itself have stopped the Northern Rock fiasco, saved **Lehman Brothers**, nor prevented banking systems across the world from needing wholesale government interventions.

Although the crisis is still with us, it is still important to plan for what will come next. The world needs a thorough look at how global finance is managed. But there is little point in rushing. Any credible plan will need US support, which means a new administration must be in place. It must include the developing world both as a subject and as a participant. This is a topic to which we and others shall return. It is an important discussion that will require deep thought and prolonged preparation, not easy slogans and old ideas.