

Foreseeing the banking crisis

Tue, Oct 26, 2010

Madam, – It has been constantly stated that “no one foresaw the crisis in the Irish banks”.

Prof Morgan Kelly, Prof of Economics at UCD did, as his Opinion piece in *The Irish Times*, September 7th, 2007, shows.

The following is an extract from it: “You probably think that the fact that Irish banks have given speculators €100 billion to gamble with, safe in the knowledge that taxpayers will cover most losses, is a cause of concern to the Irish Central Bank, but you would be quite wrong.

“At a recent Irish Economic Association discussion of house prices, the Central Bank official in charge of financial regulation (whose publications with the ultra-libertarian Cato Institute strongly oppose any form of bank regulation – a real case of an atheist being appointed an archbishop) stopped the proceedings to announce that the view of the Bank was that, as long as international markets were happy to buy debt issued by Irish banks, there could be no problem with their lending policies.

“We can only hope that this insane logic is correct and that the refusal on ideological principle of bank regulators to regulate banks does not lead to the same debacle here that occurred with savings and loan institutions in Reagan-era America.” – Yours, etc,

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