

Sarkozy calls for global revamp

French President Nicolas Sarkozy has called for a fundamental rethink of capitalism in the aftermath of the financial crisis.

"We need deep profound change," he said in his keynote speech at the World Economic Forum in Davos.

His comments came as bankers and regulators clashed over proposals to break up banks that threaten the whole financial system.

Mr Sarkozy said he wished to restore a "moral dimension" to free trade.

"Were we not to change, we would be showing tremendous irresponsibility," he told the bankers and politicians that gather annually in the Swiss alpine resort.

Bank reforms

France has supported forcing banks to hold more capital and curbing bonus payments in global negotiations over the past year on how to reform the system to prevent future crises.

" Long story short, bankers here are dazed and confused "
Robert Peston

US President Barack Obama has proposed curbing the size of banks, preventing key financial institutions from owning hedge funds and barring them from proprietary trading - investing to make a profit for themselves rather than on behalf of customers.

Bankers in Davos were less than pleased with the ideas.

Earlier on Wednesday, Barclays boss Bob Diamond said he had "seen no evidence ... to suggest that shrinking banks and making banks smaller and narrower is the answer."

Other bankers, like Jacob Frenkel of JPMorgan Chase, have said they were worried about "bad regulation".

'Moral dimension'

Mr Sarkozy told the delegation - to scattered applause - that governments and companies in the world economy could not pretend it was business as usual.

"We are not asking ourselves what we will replace capitalism with, but what kind of capitalism we want?" he said.

"We must re-engineer capitalism to restore its moral dimension, its conscience," he said. "By placing free trade above all else, what we have is a weakening of democracy.

While saying that those who ran companies that made money deserved to be compensated well, Mr Sarkozy hit out at huge bank bonuses that have caused public outcry in the US and UK.

"There are remuneration packages that will no longer be tolerated because they bear no relation to merit," he said.

Earlier in Davos, legendary investor George Soros backed Mr Obama's proposed reforms to limit the size of banks and told journalists that Wall Street bankers who opposed the plans were "tone-deaf".

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