

Conflicts of interest are destroying our economies

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There's a [classic in the Irish Times](#) this morning:

IT IS probably unfair to pick just one example of the conflicts that are rife among the people advising the Government on the recapitalisation, so let's pick two.

The most obvious one being PricewaterhouseCoopers. They are the auditors to Bank of Ireland who are desperately trying to avoid being taken over by the State. At the same time they were hired by the Financial Regulator to assess the quality of the banks' loans books, the bottom line being will the Government have to take them over.

Equally, Arthur Cox are advising the Minister for Finance while at the same time they are the lawyers for Bank of Ireland.

The stock response from professional firms is that such conflicts are unavoidable and they have robust rules for dealing with them which fundamentally rely on the integrity of the individuals involved. Quite so. Unfortunately, even though this may be the case, it can lead to bad decisions and poor advice.

How can PwC really take a view as to whether there is something systemically wrong with the way Irish banks are run without having to confront the possibility that there is something systemically wrong with PwC who audit one of the big two?

Equally, how can Arthur Cox advise the Minister that Bank of Ireland may have done something it should not have, without having to deal with the possibility that it was Arthur Cox that gave them the advice they could do it?

It may also seem a bit beside the point - given the scale of the banking crisis - to focus on conflicts of interest among professional advisers, but the failure of the Minister for Finance and the Financial Regulator to see the problem inherent in hiring Arthur Cox and PwC indicates a much bigger problem which is part of the reason we are in this mess.

How did PwC think they could do this? It seems to breach every possible code of ethics

and accountant might have. They deserve to be drummed out of their Institutes for this.

Why did the Irish government not notice the massive conflicts of interest in here?

Why do they think those who helped create this mess, failed to signal this mess was coming, and gave these people a clean bill of health in the past can now get them out of this mess?

Why? Because our societies are riddled by a cronyism that is destroying wealth faster than anyone can create it. That is why.

It's why we in the UK had Sir James Crosby, who drove HBOS onto the rocks through reckless mortgage lending, telling the government how to solve the problem of mortgage lending.

It's why we had Sir Derek Wanless who helped wreck Northern Rock telling us how to reform the NHS.

And it's why some in government believe the Big 4 know the answer to everything.

They don't.

But there's a lesson to be learned. If these people not only did not know the answers, but helped destroy the value we had now is the time to listen to the other voices. Those who have delivered in the NHS (an organisation almost universally believed to deliver well by its users). It's time to listen to those who criticised the solutions the bankers offered. It's time to appoint successful head teachers to run banks. It's time for people who have run major NGOs to tell commerce how to get things right. It's time for trade unionists to appear in board rooms.

Unthinkable? Surely much, much less than thinking that the Big 4 and the bankers now know the answers.

Hat tip to [Dennis Howlett](#)