

The madmen bankers are back in town

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Yesterday [Alan Greenspan was in the FT](#) saying regulation had to be abolished so financial markets could fly again.

As [Paul Krugman had to say of his diatribe](#):

Alan Greenspan continues his efforts to cement his reputation as the worst ex-Fed chairman in history; in today's FT, he comes out for a repeal of financial regulations designed to prevent a repeat of the crisis for which he, more than any other individual, bears personal responsibility.

To be honest, I didn't know quite how to respond; I was, very nearly, left speechless by the lack of self-awareness on display.

And as he rightly pointed out, all the old madness was on display when Greenspan claimed:

Today's competitive markets, whether we seek to recognise it or not, are driven by an international version of Adam Smith's "invisible hand" that is unredeemably opaque. With notably rare exceptions (2008, for example), the global "invisible hand" has created relatively stable exchange rates, interest rates, prices, and wage rates.

To put it another way we're back to the old madness. If madness is sufficient detachment from reality to believe in a factional state of being then this is what Greenspan is suffering from. So are all the other neoliberal economists who share his conviction that the world is probabilistic and uncertainties simply don't happen. Black swans don't occur is the basis for their mathematical models on the basis of which they trade. And in that maths 2008 could not happen. It did of course happen, but three years afterwards we now see Greenspan in denial of that reality.

It was a notably rare exception, he said. So it won't happen again in other words. So we have no reason on that basis to regulate for it. And that is madness.

And maybe it was no coincidence that the [FT reports that yesterday](#):

Jamie Dimon, chief executive of JPMorgan Chase, launched a broadside against financial regulation on Wednesday, warning that new capital rules could be “the nail in our coffin for big American banks”.

Regulators are negotiating international capital standards for the biggest banks but Mr Dimon said setting the new requirements too high, or allowing overseas banks to calculate their asset base differently, could disadvantage US banks and was already stifling economic growth.

And maybe no coincidence **too that they also report:**

*Senior Whitehall officials are pushing for a three-way peace deal between government, big banks and the **Independent Commission on Banking** established last year to **examine the industry’s structure.***

That effort is to make sure that the Banking Commission does not rock the path into the privatisation of Lloyds and RBS. Or, in other words, to re-establishing the old order.

But that model failed. It did not just fail a little - it failed massively. In any sane market system it should have been consigned to the bin. It was only because these banks were too big to fail that it was not so consigned. It's in a very real sense a market failure that they still exist.

And if regulation now pushes those banks out of existence it is doing exactly what the market demanded - which is their demise, because they're not fit for purpose - unless you're a senior director who has captured such a bank for your own personal gain. But if course, they're in denial of that too - which is another sign of the madness that persists.

This is not time for weakness- banking has to move on - and without regulation it will instead jump into the abyss. Those are the only options. Those of the madmen have to be ignored - because they have no relationship with reality, and nor do their theories.