

Cameron gets it all so very wrong - the City and the fr...

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[Cameron's drawn up his arguments on Europe.](#)

They are all the wrong arguments, of course.

Cameron's line is a a simple one - let the bankers carry on. The bottom line for Cameron is that the City of London has to be allowed to continue its abuse of the world economy. Becasue that's what it does. By handling the world's hot money - much of it in turn flowing in and out of London through tax havens (something Osborne is now actively encouraging through his corporation tax reforms) the City is the launch pad for the attacks on the Euro and sovereign debt and is therefore the prime creator of the instability that we're now seeing. And Cameron says that must continue, unabated.

It shows he really does not understand the need for real reform in the Euro area. The first real reform needed is that the free flow of capital has to end. The extraordinarily negative impact of the free flow of capital combined with the creation of the Euro, and the resulting imbalances, was explained by [Kevin Drum in Mother Jones](#), yesterday, rather well.

Martin Wolf was on the same theme. [As he put it in the FT](#):

I am not sorry that Germany failed to obtain yet more automatic and harsher fiscal disciplines, since that demand is built on a failure to recognise what actually went wrong. This is, at its bottom, a balance of payments crisis. Resolving payments crises inside a large, closed economy requires huge adjustments, on both sides. That is truth. All else is commentary.

He's right, and for much the same reason.

Three things follow. First, we need a financial transaction tax. The activities fo the City need to be curtailed in the interests of the world. And FTT would be a start in achieving that.

Second, the City also needs to be curtailed in the interests of the UK. As I argue in the *Courageous State*, because the City has squeezed out all other private sector activity in the UK our GDP would rise if its dominance were reduced: it is reducing the overall return in the UK economy by its over-expansion.

Third, there is an obvious need for EU reform - but the need is for a removal of the assumption that the free flow of capital is paramount. It is very obviously at the root cause of this crisis.

So why won't anyone say so?