



making business sense

Traffic and other disruption from G20 could cost London £80 million

The government estimates that the cost of holding the G20 meeting in London at £19 million according to junior foreign office Minister Mark Malloch Brown. This number seems so far off beam that we thought it worth making a more realistic estimate.

The £19 million probably accurately calculates the cost of hotel rooms, food, police overtime, hire of conference halls, decoration, goody bags, printing and the like.

What it doesn't cost is the diversion from other duties of a whole range of staff who have been planning the extravaganza for months, or the normal daily rates excluding overtime for the police. It would probably be appropriate to add an additional £10 million for this cost.

What it also does not pick up is the cost to the private sector. First, transport is disrupted. One of the roads close to my house has been shut since last week. Others will be shut for the rest of this week. Scaling from past research on the cebr transport models (LZEAM and LONTRAVMOD) we estimate a cost in lost productivity from greater time spent in transport because of increased security and shut roads of £28.2 million. And if a fifth of the workers in central London have to go home an hour early for fear of disruption (following the advice of the authorities), this would cost a further £24.4 million.

So adding all this up, it is unlikely that Londoners and the UK taxpayer will get away with a bill of much less than £80 million.

Obviously this would be cheap if international agreement to fix the global economy were to be achieved. The original intention of the summit had been to 1) agree a boost to the global economy; 2) to agree to prevent protectionism; 3) to agree rules for international cooperation on the regulation of financial institutions; and 4) to restructure international financial institutions such as the IMF.

The first of these has collapsed spectacularly. It appears now that Gordon Brown cannot even carry his own Chancellor with him let alone his central bank governor, and he has been rudely castigated by the likes of Angela Merkel (who has some justification) and Nicolas Sarkozy (more like the pot calling the kettle black).

The second is most unlikely to have any effect. Though a return to high tariffs is unlikely, it is clear that various recovery packages in different countries will favour domestic producers and workers.

The third may have some impact. But thus far, the G20 seem to be using the excuse of the credit crunch to attack tax havens and hedge funds, even though no one serious believes that they had anything to do with the crisis. This is the financial equivalent of invading Iraq in response to 9/11 – using the crisis as a cover for attacking a traditional enemy. I believe that both hedge funds and tax havens do more good than harm – especially in keeping governments honest by preventing them from excesses of taxation and regulation. The French have threatened to walk out if action is not taken against hedge funds – even without this threat such action seems a bad idea but if it causes Sarkozy to flounce off in a huff – then bring it on....There is a rule of thumb that anything international that upsets the French (eg moves against protectionism or reform of the CAP) is probably a good idea.

Finally, an agreement to restructure institutions like the IMF is long needed. There is a cost to the UK in that as a quid pro quo we will have to give up power to enable better representation of emerging nations like China. But this is a small price to pay to generate more resources for such institutions and to integrate the emerging nations into the global economy. Nevertheless, it will be uncomfortable for the UK, which in conjunction with Anglophile US officials largely designed these institutions at the tail end of the war, to accept a lower place at the table.

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