MAKING BANKS SERVE MAJORITY NEEDS

The crisis has gone too far for tinkering with the system.
It's not reform that's needed but transformation!

[Support the Subscription-free Social Capitalist Network]
www.socialcapitalistnetwork.org

The end of an age -

There sometimes occur events in history which call for unimaginable change. These occur with the sudden onslaught of economic crises which in reality are greater than realised by those involved. Those at the apex of society, both politicians and financiers, are paralysed by such situations, and then calmly acknowledge there is the need for reform, but they do nothing, or what they do is ineffective.

These are usually people who have experienced lifelong success and affluence, and because of this, they are not only incapable of effecting change but psychologically find the very idea incomprehensible. There is nothing surprising in this since uninterrupted success in life tends to bolster a conservative instinct, and so it should not be unexpected that resistance to change at the present time becomes a natural response in facing the unanticipated breakdown not merely of the credibility but the workability of the financial-industrial system.

We are experiencing such an episode of events during the present crisis. The complex economic system for sustaining the spheres of domestic life and work has hit the buffers, and there is no glib remedy for resolving the situation, although many may be obsessed by favourite panaceas which whilst settling one problem too often lead to the compounding of others.

These crucial events in history offer rare opportunities for the surging transformation of institutions and systems. They often mark the dawn of an era when the practicality of reform is not so much an option as a necessity for survival. This is because the pace of change is so accelerated by the pressure of circumstances that transformation is effected almost without the will or full understanding of those involved. And consequently, in the confusion which follows, the differing possibilities of such change may be justly questioned.

In the words of the political commentator, Martin Jacques, the present, "crisis has undermined all the ideological assumptions that have under-pinned government policy and political discourse over the past 30 years. As a result, the political and business elite are flying blind. This is the mother of all postwar crises, which has barely started and remains out of control. … The political class, from New Labour to the Conservatives, is standing naked. They are still clinging to the wreckage of their old ideas whilst acknowledging in the next breath that these no longer work." (*New Statesman*, "The New Depression," 16th February 2009.)

If that is the true measure of the situation, it nonetheless remains that the present crisis in all its complexity was predicted by the proponents of Social Capitalism more than two decades ago, and in the intervening period the SCN has produced in-depth analyses and constructive proposals in meeting such a challenge as we have today. This in conjunction with the practical concepts developed by many relevantly qualified individuals, often working alone, offers an exceptional opportunity for the timely politicising and promoting of such solutions. The voice of those who predicted the present crisis, and applied sufficient thought in formulating viable proposals for repairing our broken society, must be heard above those at the apex of the establishment who are only engaged in blindly tinkering here and there in the hopeless task of mending what lies in fragments.

There is little value also to be derived from the writings of our leading commentators in the broadsheets and weeklies beyond bland descriptions of what has occurred and justifiable indignation. Our journalists are no less astonished and confused by the events of the past months than our dazed politicians and permanent Under-Secretaries. There's much vacuous talk in political circles about the need to make banking "less exciting" and the need to return to the gravity of a "grey suit" culture. By this is meant the turning back of the clock, possibly to the post-War 1950s environment of more personal banking when the circumstances of every customer were supposedly known to his local manager.

Such aspirations are both undesirable, and anyway, would be impossible to achieve. The very thought of returning to such a banking culture only arises through hopeless ignorance in responding to the present crisis. The harking back to such an era is either humbug, or attempts to put a sentimental gloss on the true underlying realities of such a seemingly cosy world. It should be remembered that in such an era as the 1950s the majority not only had no bank accounts but were not heavily involved in all the complexities of a borrowing and lending personal-debt filled culture, and where in addition, pensions and corporations were dependent on the vagaries of a casino economy.

How we reached this situation -

Whilst 60 years ago it was predominantly the upper-middle class majority whose interests were integrated into the centralised financial system of investing and shareholding (whilst the rest were dependent on the hand-to-mouth existence of a cash economy), today the entire population in advanced economies have become entangled, either directly or indirectly, in the machinations of high finance, irrespective of whether they choose to or not.

The difference of course is that whilst in the earlier period it was those who took direct responsibility for themselves through relationships in instructing their stockbrokers; today it is the indirect connections of the majority with the financial establishment, through pensions reliant on the success of equities in the market place, home-ownership acquired through building societies mutating into high-risk banks which inflate property values and adjust interest rates in increasing profits; or employment dependent on the decision-making of global corporations transferring labour from one part of the world to another without any consideration for the social consequences.

It might be argued (on false premises) that whilst in the earlier period the financial world was "elitist" and managed by the few for the few, in the latter period we have experienced the "democratisation" of the financial world where all have allegedly become "stakeholders" in the future of the community. This would be the benignly expressed opinion of the advocates of Thatcherism or Neo-Liberalism. The fact remains, however, that the shareholders in the elitist period where fully conscious and intentional capitalists, whilst those in the present era were cleverly baited with loans and other "goodies" into an inescapable debt-filled trap, the horrors of which they could never have anticipated. Towards the close of this paper we shall argue the need for a more "exciting" banking culture, but it will entail an "excitement" very different from that of the present day.

Today's majority, therefore, are not so much "capitalists," as the exploited victims of malign Rentier as opposed to benign Productive capitalism. Their nominal ownership of equity in their own homes, or their receipt of gratuitous loans in exchange for burdensome debt, may make them *part* of this financial system as it is, but not in reality the owners or controllers of that system except in an abstract and very nebulous sense. Nonetheless, Neo-Liberal or Neo-Conservative ideologues will insist on maintaining the illusion that the majority through their voluntary involvement with the centralised financial system – even if they merely sleep-walked into the situation – are part of the democratic financial establishment, as in their eyes, there is no other way in which working capitalism is comprehensible.

This is the received perception of all parliamentary parties in the world today, and because the financial or banking system is perceived more or less as a permanent or unchanging – or unchangeable system, that is why governments continue to pump billions into insolvent banks in a vain attempt to shift the economy, when the sole outcome (as yet) has been to maintain obscenely huge bonus payments to those who instigated the crisis in the first place.

A silver cloud, however, may be seen on the distant horizon through all this misfortune and chaos. The very foolishness of governments in throwing money at the banks at once overturns the entire legal basis on which the secretive and private banks have maintained their privileged status. The fact that taxpayers are now bailing out these discredited and disgraceful institutions means that the majority are now the *rightful* owners of the banks, even though it requires a formal declaration to make it a legal reality. But governments are loathed to assume control of banks – and rightly so, for they have no expertise to propose desirable reform.

They remain fearful and paralysed, and blinded by the mystique of the banks. They remain in awe of their power and so submissive to their will. It is not desirable that governments should own or control the central banks, or that they be "nationalised," but that instead they should be subjected to dirigiste authority, i.e. to an over-arching state authority as to their remit and constitution, and to intervention as need demands.

Degeneracy exposed -

What cannot be questioned is that the Anglo-American banking system (or rentier capitalism) now dominating the economies of the world, has outlived its socially beneficial purpose (if it ever had one in the first place), and has at last exposed its latent corruption and destructiveness on so many fronts, that it must be reconstituted from the bottom up. The faults of the contemporary banking system are systemic, and cannot merely be adjusted by tampering here and there. Above all, their failings cannot be left to self-inspection, or to those feeble external regulator bodies appointed to oversee their general management.

All such bodies are merely the bought-up vested interest voices of the bankers themselves. This was recently demonstrated by the shameful sacking of Paul Moore, head of group regulatory risk at HBOS between 2002 and 2005, for his timely criticism of the bank for "going too fast" and being "a serious risk to financial stability and consumer protection," by his boss, Sir James Crosby. On a subsequent occasion, in a dossier submitted to the Treasury Select Committee on the banking crisis in February 2009, he contended that, "even non-bankers with no credit risk management expertise would have known that there must have been a very high risk if you lend money to people who have no jobs, no provable income and no assets … You simply don't need to be an economic rocket scientist or mathematical financial risk management specialist to know this, you just need common sense." (*The Guardian*, 11th February 2009.)

It is ironic, therefore, that subsequently Sir James Crosby was appointed Deputy Chairman of the Financial Services Authority. With such regulators overseeing the proper management of financial services, what hope can there be for holding the industry to account? In a later interview, Paul Moore drove home his criticism of Sir James Crosby, saying his legacy "will include hundreds of thousands of customers struggling to repay debts they were sold by HBOS, tens of thousands of employees with no jobs, and shareholders whose shares have crashed from £11 to under £1. HBOS is the story of the emperor's new clothes. But anyone who said that wouldn't last. … There are too many powerful and rich people who have been involved in this mess, and none of them wants an investigation." (*The Independent On Sunday*, page 13, 15th February 2009.)

The time has therefore arrived for the total transformation of the banking system, but how is this to be achieved responsibly without further damaging the monetary system? No useful word or gesture may be expected from any of the parliamentary groups for two reasons: firstly, because they have muddied their reputations through compromising their integrity in steeping their hands in the corruption of the banks; and secondly, because of sheer ignorance they would be incapable of raising viable proposals for reform. The initiative for reform relies on Social Capitalism and its associated supporters. But how is this to be embarked upon?

It is necessary to return to basics in defining what should constitute the socio-economic purpose of a banking system. Nothing less than this will succeed in penetrating the truth. Having identified the social purpose of banking in promoting the needs of ordinary people in enabling the security of savings and investment for the future, particularly with regard to major purchases as a house or car; and the needs of productivity and a free market serving majority interests, it will then be possible to construct the foundations for a reliable banking system. As soon as a clear vision has been presented, and practical proposals formulated, it will then be necessary to ignite a Young Turk revolution within the banking fraternity. In this way the viability and professional nature of proposed reforms will be secured through knowledge and experience.

The historical background -

The existing Anglo-American banking system and its complex interrelationship with other financial institutions (which collectively constitute rentier capitalism) can only be properly understood within their historical context. The growth of the centralised banking systems in Britain and later in America, as contrasted with the development of provincial banking, the latter subsequently absorbed or liquidated by the former, are traceable to the activities of international trade which later mutated into the huge profits accrued through imperialism. For a long period these profits only *directly* benefited a privileged minority, although there was a trickle-down effect in creating employment in many occupational spheres.

The significance of heavy overseas involvement in infrastructure and modernisation from the 19th century onwards, is that in broadening and encouraging the investor class it needed to pay ever-higher dividends, and so charging higher rates of interest over longer periods for loans. This was eventually to raise problems of a different kind in both the investing countries and those which were invested in. In the investing countries there naturally emerged a new wealthy class which had good reason to be self-satisfied with its success, but meanwhile the banks and financial institutions became increasingly usurious. In countries such as Britain and America, with their immense industrial might, this was not perceived as a problem, for over a long period high interest rates failed to impact on their competitive edge in world markets. Only later, and increasingly from the second half of the 20th century, did usury emerge as a major problem in undermining commercially viable productivity.

The countries which were invested in, being rural and non-industrial, experienced a starker polarisation between rich and poor. So, for example, the countries covered by the Monroe doctrine were divided between a hugely wealthy landowner class, and a landless peasantry, and because the latter were illiterate and held in check by the influence of a powerful church, they were resigned to their poverty with willing acceptance. The ruling class, meanwhile, pocketed a large proportion of capital intended for industrial investment in railways, roads, bridges, etc., and saw no reason to complain about the payment of extortionate interest rates.

It is impossible to generalise as to what constitutes desirable or undesirable interest rates, for despite laws in different parts of the world in attempting to limit usury, marketing forces have always overridden the law or popular sentiment. What is certain, however, is that in retrospect, it is possible to identify contrasting economic systems where interest rates are limited of their own accord. If we cite the Productive capitalist countries of Continental Western Europe together with the Far East Tigers, as they flourished typically in the post-War period, we find their industries were given their invincible competitive edge through low interest rates and long-term loans, and in some territories, such as Japan, longer-term accountancy periods.

This stemmed from a differing mode of financing industrial investment: i.e., in such countries as West Germany or Japan, or the Scandinavian or Benelux countries, enterprises borrowed from industrial investment credit banks. Because these institutions employed executives with an understanding of specific sectors of business, they were able to lend responsibly at low interest and long term with limited risk of having their fingers burned. To ensure that loans were used for the specific purpose requested, bank employees were appointed to the boards of companies to fulfil the functions usually performed (in Britain or America) by management accountants. Such banking institutions, which were initially usually state-sponsored, are still unknown in the Anglo-Saxon world.

It was therefore usury and not lower wages which was to destroy the production of tangibles throughout Britain and America from the post-War period onwards. But the warning signs were never noted. On the contrary, circumstances arose whereby usury was to be accelerated rather than controlled or cut back. With the demise of manufacturing in Britain and America other means had to be sought in advancing wealth creation. Academics floated the optimistic illusion of the "Post-industrial society," and services became the buzz word in pointing towards the future.

In Britain, especially, the emphasis was put on the saving grace of the financial services industry, and it was during the Thatcheite period when total commitment was given to this new concept of wealth creation. Amongst other factors, it entailed the introduction of weird and wonderful financial products fresh from America, whilst in Britain the stock market soared, and in 1975 alone, house prices doubled. No one questioned that this was the age of enlightened prosperity, when the new drove out the old, and if mass unemployment was necessary, then this was in exchange for tolerating the survival of "failing" and "out-dated" industries. Only "spoil sports" or "Jeremiahs" attempted to cast a shadow on this "better world."

Thatcherism and the beginning of the end -

The truth, of course, was that Thatcherism, shortly to be followed by Reaganism, set in motion – or at least, accelerated – policies which were to destroy the economic prospects of the Anglo-Saxon world. Those who praised the new politico-economic thinking were living in a fools' paradise, doomed eventually to inevitable destruction. Although there were no intellectual grounds for defending the longer-term outcome of the new economic thinking, there were practical grounds which necessitated such a course. The fact that home-based manufacturing was in free-fall in two heavily populated and hitherto advanced industrialised countries, posed a serious question mark as to how the majority population was to be sustained in the future. It was also recognised there would be a continuing polarisation between rich and poor. This together with high unemployment threatened an explosive situation.

In maintaining the expectations of what was still supposedly a "democratic world," it was necessary to somehow involve the majority in the same economic system which was bringing such great financial benefits to the minority. The only way to achieve this was through the extension of debt – or easy money – through mortgages for home ownership, and later the issue of plastic cards by the banks for serendipitous and impulsive purchases. In this way the majority would not only be made to feel "flush" and an integral part of the economic establishment, but ideologically committed to the rentier capitalistic system. In this way the mutual interests of irresponsible lenders was linked successfully to irresponsible borrowers, and thereby the way was opened to the greatest explosion of personal debt in world history.

Foolishness or stupidity has no limits when the present may be enjoyed with no thought for the morrow. Although the words of the powerful have always carried authority with the majority, we now live in an age when politicians have lost all credibility in their analysis of our present condition. But until yesterday, the very rich – and in particular, bankers and financiers succeeded in maintaining our trust – and this has included the trust of our politicians. Yet any analysis of the objective facts could have revealed to the intelligence of a child that our monetary system was hurtling towards a self-destructive course. Only greed, or belief in the universality of greed, and the complacency which comes from failing to question the sources of superficial success, could have blinded us to the reality of the situation.

The social function of banking -

If the banking system is to be reformed – or rather reconstituted, it is first necessary to look into the essence of its purpose. The underlying social function of banking is quite different from that of any other business. It may even be questioned as to whether banking should properly be regarded as a business. Perhaps it should be regarded as a utility as gas, electricity, or water, and as these are no less essential than money, then why should the managers of the latter be granted the privilege of extortionate profits?

All business, whether in tangibles or services, is dependent for its success on a sufficient margin of profit in paying salaries, taxation, dividends to investors, and returns for the repair or replacement of equipment, or the expansion of the enterprise. Business in its broadest sense fulfils the socially desirable needs and wishes of people in regard to their material and psychological existence. In this sense a hospital or a school is a business to no lesser extent than a factory or a corner shop. On the macro-economic scale a socially desirable business environment entails the need for full employment (97 _ %), and a diverse range of employing bodies.

The purpose of banking, on the other hand, is to facilitate the existence of a monetary system which assists the security, smooth efficiency, and profitability of the above. Its purpose should extend no further than that. This is because money in itself is (and should be regarded as) a means of ideal exchange and not as wealth. Therefore the maintaining or control of the money supply, in any society, is of overwhelming importance. But this *control* should be dependent on the socio-economic needs of society and not on the vested interests of bankers. This is because if money is used internally as a source of wealth by those responsible for its issue for self-enrichment, this too easily leads to a web of debt through the charging of exorbitant interest.

It hence becomes questionable as to whether banks should seek to be profit centres beyond the covering of their own essential expenses. History has demonstrated clearly that the self-enrichment of banks has undoubtedly diverted them from their primary social purpose, and certainly has encouraged them to adopt a cavalier attitude towards the prudent economic ends of good government. Banking originated as a private enterprise through the activities of the goldsmiths, and it remains private to this day. Both the Bank of England and the Federal Reserve in America remain private banks – although as Dennis Kucinich has famously proclaimed in the House of Representatives, the latter is no more "Federal" than *Federal Express*. Both institutions operate in an environment of the strictest secrecy.

When, on the other hand, we look to the re-invention of banks from the last quarter of the 19th century in such newly industrialising countries as Japan or Germany, or elsewhere in Continental Europe, for the specific purpose of financing industrial investment, we uncover quite a different set of circumstances. Here the roles are reversed. Instead of banks existing for the rationale of enriching private bankers, we find instead that these newly state-sponsored banks existed for the rationale of funding a modern industrialised infrastructure. With such a purpose in mind, everything is changed.

British and American banks (as indeed with all other funding institutions in these territories) are quite open in admitting they are only looking for the "good investment," by which they usually mean investing in such passive assets as land or property, whilst avoiding difficult long-term enterprises entailing investment in costly engineering or technological projects. In other words their interest is only aroused by the quick buck. This explains the catastrophic decline of cash-starved home-based industry in the Anglo-Saxon world in the post-War period.

In what I describe as the economies of Productive capitalism, on the contrary, we discover that if the industrial investment credit banks failed in their social purpose in modernising and transforming society, and in lifting the living standards of the majority, then they were judged useless for their purpose. Hence these banks served the interests of society in much the same way as a civil service department. The benign influence of these banks is confirmed furthermore by glancing at the macro-economic outcome, for in both East and West, there has been a far more equal distribution of wealth amongst the general population than found amongst the Rentier economies of America, Britain, or elsewhere. The tragic fact must not be forgotten, of course, that over the past 20 years the Neo-American or Rentier mode of capitalism, has swept over the world as a conquering force, and hence the current global crisis.

Transforming the banking system -

All this empirical evidence demonstrates there is a better way for re-building our banking system, and financing necessary investment for the future. The clearing banks must no longer act as mere depositories for our current accounts, for which we receive no interest; and the commercial banks must no longer merely offer counters to larger scale enterprises. It is not suggested we should simply copy the models of banks and other funding institutions as they ideally existed for decades in the post-War period, for the current financial crash and the perversity and deceit of top executives in *all* our finance houses is not so much an apt opportunity as an *essential* call for their total reconstruction throughout every level. We must now develop a banking system which advances much further than those ideal financial institutions which flourished so successfully in the Productive economies of the post-War period.

In assisting to check the abuse of power by top bankers, it may be advantageous if banks were owned and controlled (within the constitutional remit of fulfilling communal needs) by their employees, as in a similar situation, the high class department store chain, the John Lewis Partnership, which is owned cooperatively by its staff, guarantees its competitiveness in that none of its products may be purchased elsewhere at a lower price. This entails the structural pattern of an organisation, in any type of enterprise, which tends to promote the disinterested forces of socially desirable competition, whilst discouraging the mode of competition which benefits a privileged minority where the interests of labour are clearly differentiated from those of capital accumulation.

In the earlier part of this paper it was suggested the banking system needed to be reformed from the bottom up, and by this is meant a focus on small-scale business and sole proprietorships typifying the interests of the majority. Banks must be democratised in representing the Small rather the Big, or the activities of the Ordinary citizen rather than the Usurious Bully. Therefore they should extend easy long-term loans to independent businesses facilitated through the mutual security of bank directors on the boards of companies. The focus of banks should therefore be concentrated on the promoters of the grass roots *real* economy, rather than on the easy pickings to be made from the great corporations which damage local economies in so many respects through their financial tools in polarising wealth. Whilst the banks should not attempt self-enrichment, they should actively promote the enrichment of their clients (from which they will generate their justifiable returns); and they should differentiate between the needs of domestic and international business.

In transforming banking from a *business* into a *service*, to which all should have the right of access in the same way as water or electricity, the entire philosophy of its approach may be changed into that of a socially essential benefit. In this light the practicalities of setting aside the fractional reserve system, with its debt-fuelling manifestations, may be investigated with the aim of issuing interest free loans for public works and services, and possibly other projects, as currently advocated by the forward-looking Ohio Congressman, Dennis Kucinich.

The savings to the taxpayer through such a banking system would not only be enormous, but more significantly, would enable the much-needed capitalisation of huge projects such as hospitals, old people's homes, medical research, schools, quality social housing, wind and tidal power plants, and dykes in protecting land masses from higher sea levels. The issue of interest free loans would be undertaken through necessary safeguards in ensuring that inflation could not follow in its wake.

In implementing all such changes, as proposed above, the entire culture of banking would be transformed in both its approach and outcome. It would mean that banking becomes infinitely more attractive and interesting as a long-term career option to those employees re-trained for the future, and those necessarily recruited from many other sectors of employment. The pattern of employment today in the banking industry is divided between that tiny minority at the top, working in a secretive environment, and the vast majority behind the glass screens of our high street banks everywhere in the country.

Up until 20 years ago, the environment in our banks was stuffy but reassuringly stable and conservative, but over the past two decades, in an increasingly competitive culture, counter staff have been trained in salesmanship to constantly badger and fleece customers with ever more offers to alter their accounts, fill up forms for additional plastic cards, or invest in ridiculous schemes. In this way sober-minded bank clerks have been turned into a species of spiv for debt-fuelling the public in the interests of their own particular institutions. In the banking system of the future this kind of competition for usury must be outlawed, and in its place must be installed a competition based on increasing the commercially viable productivity of business clients.

This competition amongst the reconstituted banks of tomorrow must take the form of promoting profits derived from the productivity of tangibles, or the specific services of socially beneficial enterprises. Bonuses, as currently defined in enriching banks should be abolished through legislation, and in their place, relevant bank employees (as individuals) should be awarded commission payments based on the success of business clients.

The clearing (or high street) banks should develop an intimate relationship with local business, and technically qualified bank employees should be appointed to the boards of companies in monitoring and putting in place long-term low-cost loans. As board members they would fulfil an accountancy role and so minimise the risk factors of lending in enabling minimum interest charges. Hence banking would take on the broader economic role of overseeing what Social Capitalists describe as Social Wealth Creation. This is to be contrasted with the malign Rentier activity of Unsocial Wealth Creation which on the macro-economic scale polarises wealth in the community and is eventually self-destructive.

The necessary symbiosis between banking and the state -

This leads to considering the necessary relationship between the state and financial institutions, for no people can hope to prosper unless there is a symbiosis between the two. The newly emerging and highly successful industrialised economies of the last quarter of the 19th century were marked by strategic protectionism and the total commitment of their financial institutions to national prosperity. The same policy was also pursued by the Productive economies in the post-War period – although with greater discretion. Without such cooperation they could never have succeeded in lifting the living standards of their peoples. In today's world, with the present financial crisis, the first priority of every country is to extricate itself from the entanglements of international debt in restoring the integrity of home-based industries towards full employment policies.

Perhaps the greatest moral imperative for protectionism stems not so much from the need to protect home-based industries and employment, as the need to counter the outrageous scandal of those numerous tax havens serving the interests primarily of huge transnational corporations. It is through the benefits of tax havens that corporations rob countries of their necessary taxable income, and derive their extra muscle to impose their will over the economies of nation states, and subject their peoples to the threat of down-sizing and unemployment.

It is therefore an impertinence of the EU and those politicians who still subscribe to globalisation, to pontificate on the undesirability of "protectionism" and bemoan self-righteously about peoples and nations who take necessary steps to safeguard their economic survival. Those who scream loudest against the defensive gesture of protectionism are always the powerful corporations, who whilst they hypocritically pay homage to "free markets" and "friendly shores," manipulate governments to betray their better interests and undermine the job-creating efforts of nation states.

Proposals for reconstituting the banks should be accompanied by an ongoing attack on our politicians of all parties, for their ignorance and irresponsible cowardice in surrendering to the demands of the financiers. Surely the latter should be exposed for the paper tigers which they are. The abuse of public funds was nicely exposed in a paradoxical piece of writing by David Randall, when he wrote: “”'So,' said Alice to the Mad Banker, 'let me get this right. The Royal Bank of Scotland (RBS), which lost £28 bn and is kept from bankruptcy by taxpayers' money, will pay staff £1 bn in bonuses; people at the organisation that looks after government cash in bailed-out banks will get bonuses; so will staff at the Financial Services Authority (FSA), the very people charged with reining in the bonus culture; and Merrill Lynch, which cost $27 bn (£19 bn) last year, will pay $3.6 bn in bonuses and make instant millionaires of no fewer that 700 staff?' The Mad Banker puffed out his chest. 'Correct,' he said. 'More tea?'" (*The Independent On Sunday*, "The People Versus The Bankers," 15th February 2009.) Only through shaming the politicians is there any hope of shaking any sense into them.

Britain, especially, has a huge problem in confronting the current crisis. This is because we have needlessly sacrificed our manufacturing and employment-giving economy to the usurious interests of high finance. In the words of Lord Digby, formerly Director General of the CBI, "unless the Government takes bold steps right now to preserve jobs, skills and factories, we could blight an entire generation with long-term unemployment. … if these factories close, they will be lost forever and the taxpayer will end up paying far more in benefits, healthcare and other social costs." (*The Mail On Sunday*, "Brown say that he will create 100,000 jobs. One in four will be shelf-stackers," 15th February 2009.)

This inevitably is leading to the impoverishment of the many and the enrichment of the very few. The irony, however, is to be perceived in the short-termism of this strategy, for although we boast falsely about "exclusive skills" in the financial services industry, the truth is that nothing is "exclusive," and furthermore, there is no economic justification for a country devoid of manufacturing industry to harbour an international base for financial services.

The latter eventually will invariably re-locate to where manufacturing is centred. Hence our precious financial services are now liable to fly out of the window at such short notice that the realisation only dawns after the event has occurred. Such a destination may be Shanghai or Shenzen, possibly via a 5-year stop-over at Frankfurt or Mumbai. The timing or circumstances of historical change can never be predicted. What can be predicted is that the most horrific events are always unexpected and always occur in unimaginable situations. It may well be that the present financial crisis in America and Britain acts as a catalyst in destroying our jealously long-held financial hegemony.

For these reasons it is therefore vital for the survival of all peoples on our planet, that banking systems be reconstituted in serving, firstly, home-based industries (irrespective of whether they be primary, secondary, or tertiary); and secondly, the mutual (i.e. the non-exploitative) needs of international trade.

Hitherto banking in many countries has been private and secretive, and conducted along lines in pursuing the personal vested interests of exclusive groups. In conjunction with the privacy pursued by elitist groups it is hardly surprising that banking has been the preserve of dilettantes, and that many of its top executives (including those in the Bank of England) have been entirely without formal banking qualifications. I have several times met with leading economists who have sniffily referred to the ignorant ex-Guards officers and those with inherited titles to whom they were responsible as advisers in managing the Bank of England.

Such bankers, it was alleged, knew little more about the business of banking than the man on the Clapham omnibus, and so they were grateful to those fawning professionals who told them what decisions to take. It is appalling that the economic fate of 60 souls should be dependent on the old world nepotism and connections which such a system throws up, and not at all surprising that today we find all trust has vanished as the financial-industrial system breaks apart.

This ignorance of bankers and the un-professionalism of the industry was recently brought home to the public when during the Treasury Select Committee on the banking crisis in February 2009, it was revealed that of the four top bankers called to account, none had proper banking qualifications. Of the four, Sir Tom McKillop and Lord Stevenson admitted having no "formal banking qualifications;" Sir Fred Goodwin pleaded, "I don't know whether you would call them banking qualifications but I have a degree in law and I qualified as a chartered accountant," and Andy Hornby replied, "I have an MBA from Harvard where I specialised in all the finance courses including financial services" – hardly amounting to the specialised qualifications needed by a responsible banker.

In fairness to these four, it should be noted there are few formal qualifications suitable for those managing large retail banks. It may be added that banking and finance are amongst the most secretive of all professions, and secrecy is usually association with power. In this instance, however, it is not so much power which is safeguarded by secrecy, as "ignorance and pure ignorance" (to quote Dr. Johnson in another context) in averting the prying eyes of a curious public.

All this contributes to a powerful argument for the urgent need for the intelligent thinking majority to examine and discuss the profession of banking in all its aspects, and to take that necessary initiative in ensuring it undergoes sufficient transformation in turning it into a service for peoples and industries within the nation state and beyond. Such a course should be pursued not only in promoting greater industrial success and in raising the living standards of peoples worldwide, but also in the cause of promoting democracy and a more open society for the benefit of all.

For further reference and reading –

For elaboration of the analyses and remedies proposed in this paper, together with a description of the reforms necessary to our financial-industrial system, consult the author's 3-volume work cited below. This is a jargon-free book addressed to the thinking lay reader from any sector of society, in addition to academics, administrative officials, elected representatives, and others with political commitments:-

Social Capitalism in Theory and Practice

Volume I *Emergence of the New Majority* ISBN 978-0-9556055-3-6
pp. xxv/282 Notes, Appendices, Bibliography, Index
Volume II *The People's Capitalism* ISBN 978-0-9556055-4-3
pp. xx/461 Notes, Appendices, Bibliography, Index
Volume III *Prosperity in a Stable World* ISBN 978-0-9556055-5-0
pp. xx/473 Notes, Appendices, Bibliography, Indices
Introductory volume:- ***Egalitarianism of the Free Society*** *and the end of Class Conflict* ISBN 978-0-9556055-2-9 pp. xviii/317 Notes, Bibliography, Index.

All the above titles may be browsed direct from the SCN's website on **www.socialcapitalistnetwork.org,** together with on-line facilities for immediate purchase from leading booksellers, often at discounted prices. In addition, all the above titles are available from any good bookshop.

Action plan –

You are invited to help in this national and international public initiative in reforming the financial-industrial system for a better world by joining the subscription-free ***Social Capitalist Network (SCN)***. Membership of the Network is open to anyone of 16 or over, irrespective of nationality or status, who is committed to the aims of the cause, by submitting a letter of intent which includes: full name, postal and e-mail addresses, and telephone number. Membership may also be accessed through completing a form on the Social Capitalist website cited below. Membership is accepted in the trust that members shall e-mail this communication to as many persons within their circles of contact as is desirable. A print-friendly version is also available for hard copy A4 print outs and may be requested from the address below. It is a condition of membership that under no circumstances must any abridgement or alteration be made to the text of this document or any other document issued by the SCN. Each applicant to the SCN will be e-mailed a membership number. Although the SCN is a subscription-free organisation, donations may be sent and cheques made out to: The Social Capitalist Network, c/o The Secretary, 6 Southgate Green, Bury St. Edmunds, IP33 2BL. E-mail:- social.capitalism@tiscali.co.uk Website:- www.socialcapitalistnetwork.org