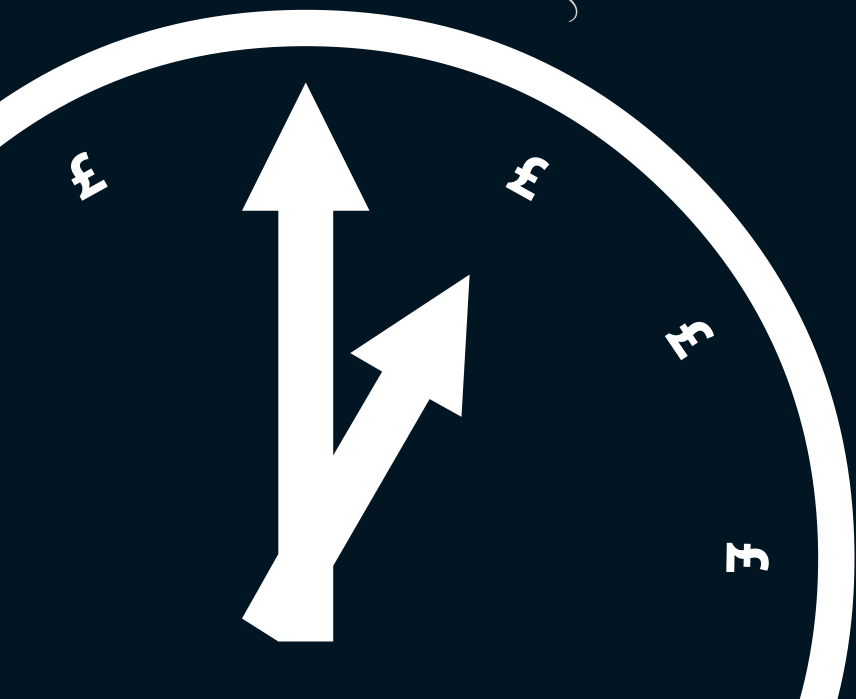
IT'S TIME TO TAKE OVER THE BANKS

A contribution to the debate from the Fire Brigades Union



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INTRODUCTION by Matt Wrack, FBU general secretary

Working people in the UK and across much of the globe are facing horrific attacks on living standards. Governments and employers demand greater and greater sacrifices: more wage cuts, more privatisation, the loss of hard won pension rights and the devastation of public services. These attacks are supported by the International Monetary Fund, the World Bank, the European Central Bank and a whole plethora of supposed experts on economic matters. Despite the drive for austerity, despite the wage freezes and wage cuts, the much promised economic recovery is delayed, delayed and delayed. Far from delivering prosperity, UK chancellor George Osborne has simply managed to deliver long-running stagnation.

Austerity

In these extreme circumstances, the debates around austerity and economic issues have become central political issues in Britain and internationally. Working people want economic security, decent housing and public services, improved living standards and a decent future for the next generation. These issues are clearly linked to the long-term prospects for the economy. Increasingly they raise questions about what sort of economy we want.

The trade unions have rightly engaged in this economic debate, challenging the austerity agenda of the Westminster coalition. Why should the debate on the economy be left to the so-called experts in the world of economics? The same experts who by and large failed to see the crisis coming. The truth is that the economic experts are all too often just highly paid apologists for the status quo. History tells us that every time there is an economic crisis, those in power seek to pass the costs on to those at the bottom – and they have always wheeled out 'experts' to 'explain' why there is no other way.

Different agenda

Working people need to set a different agenda. We need to debate these issues in our unions, in our workplaces, colleges and in our local communities. We also need to debate them with workers in other countries. The vast majority know very well that the worldwide economic crisis was sparked by the banks. The majority also know that while mass unemployment destroys the hopes of a generation, those at the top are not suffering whatsoever. Top bankers are still being paid disgusting levels of bonus and billionaires are still avoiding paying their share of tax.

So the Fire Brigades Union has produced this short pamphlet as a contribution to the debate on the economy. It arises out of the motion on the same issue, which the FBU successfully moved at the Trades Union Congress 2012. We were very pleased that this was the first time that such a motion has been carried at the TUC. We hope it will be debated by our comrades in other unions and by other workers discussing the case for an alternative to the policies of the coalition government.

Need for debate

A few comments on what this pamphlet is not seeking to do. This is not a technical report on banking. It does not intend to address or answer every issue that arises from the crisis and the role of the banks within that process. It broadly makes the case for public ownership of the major banks. It does not claim that this measure alone will resolve the crisis or shift economic power into the hands of the majority. Nor does it suggest that this (or any single) measure in the UK alone would resolve the challenges we face. The events of the past few years have demonstrated very clearly how interlinked the world economy is and consequently the need for much greater collaboration between workers internationally.

It is truly appalling that we face mass unemployment and we see the growth of poverty and the return of food banks in one of the richest countries in the world. It is appalling that the UK has a million young people unemployed. Every day the papers bring new horror stories about the impact of the economic crisis on ordinary people. So the debate on the way forward is too important to leave to the governor of the Bank of England, or to George Osborne, or to politicians in general. Working people and their organisations need to set our own agenda for a way forward. This is a small contribution to that debate.

BANKING SHOULD BE A PUBLIC SERVICE[1]

The private banking system has failed. These banks triggered a deep recession and made working people in the UK and across the world poorer. Their scandalous practices – bumper bonuses, fraud, interest-rate fixing, tax evasion, money laundering – have all continued since the crisis broke. The banks have failed to help the economy recover from the slump. They cannot be allowed to carry on the way they have done in the past.

What is needed is a publicly owned finance industry that provides a public service, giving financial support to industry and working people. Taking over the banks will enable planning, investment and the creation of millions of jobs. A publicly owned and democratically accountable banking system is essential to developing such a programme.

Critics question the case for the public ownership of the major banks. They ask how much it would cost, what would happen to cooperative and mutual banks and what impact nationalisation would have on bank workers. These are legitimate concerns, which can be overcome.

What is needed is the political will to carry out such a measure. To prepare the ground, the labour movement needs to have a rational debate around public ownership of the banks. The recent discussion at TUC Congress 2012 was a good start. The debate needs to continue in workplaces and communities.

1. THE BANKS TRIGGERED THE CRISIS

Until the crash, Britain's banks, like those elsewhere in the major world economies, had been on a spree. They dealt with astronomical sums of money, selling each other fantastic pieces of paper. This madness included not only speculative investment banks like Goldman Sachs or Lehman Brothers, but also Britain's high street banks like Barclays, Lloyds, HSBC and Royal Bank of Scotland (RBS). They all had investment arms desperate to get in on the speculative boom. Yet as Lord Turner, chair of the Financial Services Authority said in 2009 after the crash, some of this was 'socially useless activity'[2].

Speculation instead of investment
The ultimate debacle in this orgy of swindling and speculation came through the market for 'sub-prime mortgages'. These were mortgages issued to people who couldn't possibly afford them. Rather than hanging on to the mortgages, they were sliced and diced and then sold on as financial instruments. So the lenders did not care if they were unsustainable, and they were passed all round the world through the banking system. When the unfortunate, low-income householders began to default, the bankers suddenly realised that the bits of paper they treated as prime assets weren't worth anything at all.

These toxic assets served to poison the bloodstream of the world economy. So bankers stopped lending to each other and the credit crunch began. Before long, banks started biting the dust and contagion spread, threatening to bring down the entire global system.

The banking collapse triggered a massive downturn throughout the world economy. Countries like Britain, which are very dependent on the banking sector, have suffered more in the recession than others, who depend less on financial earnings.

The mess they've left
When the banks started going under from 2008 onwards, the Labour government decided that it must prop up key banks with public money. The taxpayer advanced cash of £133bn to restore the capital of these banks. At its peak, the total exposure of the taxpayer to the banking collapse through buying shares, providing government guarantees on bank borrowing and insuring customer deposits was nearly £1.2tn. So far, only £14bn of the original cash outlay has been recovered[3].

The government bought shares in order to prop the banks up. The alternative was collapse, with the shares becoming worthless. It was 'socialism for the rich' as the profits of this business were restored, protected and subsidised at taxpayers' expense. Governments all over the world that argued they could not afford the upkeep of welfare states suddenly found immense amounts of money to throw at the banks.

The share prices of all these institutions, now partly owned by the state, remain way below what was paid for them a few years ago. The government would like to sell the rest of its bank shares back to the private sector, but cannot yet do so because the loss to the taxpayer would be so great. That is because the banks in which the taxpayer has taken a share continue to lose public money. RBS has just announced a fifth year of loss.

The state now has a clear controlling interest in RBS (owning 82% of shares). It should be run for the public interest since working people paid for the shares. Though a minority, the public shareholding in Lloyds (currently 43%) should be enough for the government to dictate terms. Yet the coalition government does nothing but hope that, once profitable again, it can release them back to the private sector. So workers have been robbed blind. The banks made the mess, but workers are made to pay to keep them afloat.

The government deficit and debt

Governments all over the world hastened to bail the banks out. In fact they were blackmailed into it. The politicians felt that, since the financial system is so central to the economy, they could not allow it to collapse.

Governments had to borrow in order to bail out the banks. As a result, the British government (like lots of others) has built a huge debt, which the present government claims is the reason for imposing austerity on the country for the rest of this decade. The cuts, job losses and falling living standards are a direct result of the crisis sparked by the banking system.

The economic collapse

The banking crisis also made the whole country dramatically poorer. In October 2009, Mervyn King, governor of the Bank of England, estimated that the cost of the bailout at almost £1tn. He called the figure 'breathtaking' and reckoned that the public would be paying the costs for a generation. He said: 'Never in the field of financial endeavour, has so much money been owed by so few to so many.'[4]

Andrew Haldane of the Bank of England went further, estimating that when all the extra long-term and indirect costs have been added in, Britain may have lost between one and five years' GDP as a result of the banking crisis[5].

The majority of people in Britain in 2012 are poorer than they were in 2007 – on average by 7%, according to the Institute of Fiscal Studies (IFS). Forecasts by IFS suggest that median household income will still be lower in 2015–16 than it was in 2002–03[6].

The private banking system has failed

2. THE BANKING SCANDALS CONTINUE

Despite the banking collapse and the subsequent hugely costly bailout, the banks have not changed their ways. In evidence to the House of Commons Treasury Select Committee, the former Barclays chief executive Bob Diamond said that the 'period of remorse and apology' by the banks 'needs to be over'[7]. It was time to get back to business as usual. Yet every week a new scandal of malfeasance, corruption, illegality or just plain incompetence is exposed.

Libor

One ghastly example is the fixing of the London Interbank Offered Rate (Libor), the key interest rate that sets the cost of borrowing for small businesses and households around the world. Some 20 banks, including Barclays, are reported to be under investigation by various national authorities in connection with Libor fixing. Libor could only be manipulated because the banks, despite the pretence that they are all competing for your custom, are really a tight, manipulative cartel. They all knew what the others were up to.

PPI

In another scandal, Britain's big banks were caught out offering expensive, unnecessary and incomprehensible insurance deals to small businesses. This came on top of the Payment Protection Insurance (PPI) mis-selling. The UK's five biggest banks have set aside almost £9bn to cover claims for selling their customers loan insurance that was either not needed or could not be used. The worst-case estimate for total PPI compensation is £15bn[8].

Laundering

Then there is the truly awful corruption and law-breaking that the US Congress has found in the activities of banks like Standard Chartered and HSBC. Congress found that HSBC had deliberately continued to launder the ill-gotten cash of drug barons in Mexico. And it had also continued to launder oil cash from Iran.

Incompetence

On top of all that, there is just straightforward incompetence. A computer crash at RBS in summer 2012 meant that millions of customers could not access their own money at automatic tills, direct debits were not paid and bank statements were unavailable to tens of thousands of customers. Even basic banking is beyond them.

Bonuses

In 2011, Bob Diamond collected £17m in pay and bonuses (plus £5.7m to cover his tax) and like other disgraced bankers, cannot admit that he did wrong or should have done anything differently[9]. Some 231 elite Barclays traders and top executives took £554m home between them in 2010[10].

RBS continues to be run like a privately-owned bank with the same management structure it had before the crisis. That means huge bonuses for top executives and highly-prized traders, and continued speculation and gambling in financial investments and markets. Stephen Hester, the RBS chief executive, has taken home more than £11m in shares and cash since being parachuted in to run the bailed-out bank in October 2008[11].

Tax avoidance

The banks are complicit in huge tax avoidance by the super-rich. Research for the Tax Justice Network campaign estimated that between £13tn and £20tn in financial assets has been hidden from the world's tax authorities in offshore banks. That does not even include non-financial assets like art, yachts and mansions[12]. Even a fraction of this wealth could pay off government debts, pay for investment in public services rather than cuts and could fund economic recovery.

Still gambling with your money

Barclays is really two banks. One is the normal retail and wholesale banking division with high street branches, where most employees work and do the usual 'boring' stuff of banking. Then there's Barclays Capital, the investment side. BarCap holds three-quarters of all the bank's assets. It makes a wafer-thin 0.3% return on these assets. Barclays still has a credit risk (i.e. its liabilities to others) of nearly £1.8tn, nearly all generated on the BarCap side. This is more than what Britain produces in a year[13].

The banks gamble every day, but the public are the only ones taking any risk when they have to be bailed out. Although Barclays did not directly receive bailout money from the UK government, its chief executive has admitted that it did benefit indirectly in various ways from the decision to prop up the banking system.

It is the private banking system that greases the wheels of casino gambling, mega-fraud, interest-rate fixing, tax avoidance and bumper bonuses. Only public ownership and democratic control of the banks will put an end to these scandals.

3. WHAT BANKS SHOULD BE DOING

Workers need banks to provide a proper service to businesses and households. Most people have their wages paid direct into a bank. Small businesses need to deposit their cash takings safely. Workers need to be able to get at our money. Sometimes people need to be able to borrow money. At other times, they need to save. These are the basic services of everyday banking.

In addition, banks raise funds and provide credit to finance investment and growth across the economy, to generate income and wealth for everyone. This is what banking as a public service should do.

The banks are not lending

It is five years since the crash, but the banks are still not lending to industry. Despite pledges from banks to increase lending to small businesses, the total amount being lent was 2% down on 2010 in the first quarter of 2011. In the two months to March 2011 around 40% of small businesses applying for credit were turned down by their bank[14]. The banks typically want a track record of three years' success before they are prepared to lend. So they will rarely support a start-up business.

The big banks dispose of £6tn in funds. This is equivalent to the amount that more than 60 million British people produce in four years. Yet they earmark just £200bn of this to investment in industry in the UK, a measly 3% of the total[15]. Still they have all the money in the world to speculate and gamble on complex financial instruments they do not understand.

Banks are making families homeless through repossessions, when these people are just the victims of the banks' recklessness. Accommodating homeless households in bed and breakfast is heartbreaking for them. It is also ridiculously expensive for the government. Families that cannot afford to pay the mortgage should be given financial help to stay in the house they regard as home and stay together.

What a publicly owned and democratically controlled banking system would do

Taking over the banks would enable investment to be planned. Instead of the dealers gambling with our money, a publicly owned banking system could begin the task of switching the funds to create millions of jobs, to rebuild the economy in the interests of the majority.

The financial sector would become the major lever for planning the economy. Planning would not be achieved by bureaucratically allotting human and material resources to definite purposes. It would be done by making finance available to applicants with good ideas and useful investment plans.

Currently, finance chases around the globe seeking out the maximum profit – driving down wages, exploiting children, destroying the environment – all in the endless search for profit. A publicly owned banking system would mark a sharp break with all this. It would mean the majority beginning to take control of the economy and beginning to run it democratically in the interests of the majority.

That is probably the single most important reason why the banks should come under public ownership and democratic control.

A major programme of useful public works to create jobs and modernise infrastructure is needed. An estimated £55bn per year is needed to invest in 'low-carbon infrastructure and related supply chain' over the next decade and a half, according to the Green Investment Bank Commission. That adds up to £750bn needed by 2025 to help decarbonise the economy[16]. Without the support of a publicly owned banking system, the jobs and the renewed infrastructure will not be created.

4. WHAT WOULD PUBLIC OWNERSHIP MEAN?

The state currently owns large chunks of the banking sector, but does not control it. This is because the coalition government does not want to 'interfere' with banking activities.

Since the government will not move towards making the finance industry a public service, the banks can continue to do what they want. The public has no control over their decision-making.

Democratic control over the banks is needed. That requires full ownership of the big banks. The state already owns Bradford & Bingley, Northern Rock and RBS. It should take majority control of Lloyds at the present depressed prices to ensure the government can run it. It should bring the UK-based operations of Spanish-owned Santander under public ownership. And it should do the same for the UK operations of privately-owned Barclays and HSBC, where some of the worst scandals have taken place.

The big insurance companies, pension funds and other financial institutions should be nationalised, to create a unified industry performing financial services for the public benefit.

The public interest here is quite clear:

- The banks would stop paying excessive salaries, outrageous bonuses and gold-plated pensions to top executives and wheeler dealers. There would be a cap on the ratio of the highest paid employee to the lowest paid.
- All surpluses would return to the public purse and not be paid out to private shareholders.
- Banks would start lending to the public and to small businesses as a priority and get on with the bread and butter business of handling people's money honestly.

Scrap the boards

There needs to be a root and branch change in the way banks work and take decisions. The careers of chief executives like Fred Goodwin at RBS and, more recently, Bob Diamond at Barclays are classic examples of the way in which boards of directors supinely allowed the boss to lead their banks along the primrose path of greed and even outright criminality.

The existing boards of directors should be scrapped and the current chief executives replaced. It is important to tap the expertise of the bank workers who already do the job on the technical side of running the banks. New boards should be established with the bank workers and the labour movement generally represented as an important part of management. Other interest groups who should have a say in bank dealings are mortgage holders and representatives of small business.

Democratic control over the banks is needed

5. IS REGULATION THE ANSWER?

More regulation is better than the neoliberal, free market free-for-all of recent decades. But bank regulation does not go far enough. Regulation is costly, inefficient and bureaucratic. Following the privatisation of Britain's public utilities in energy, communications and transport over the last 20 years, there are a battery of very costly 'regulators', who have failed to protect the public from poor service, financial disasters and high prices.

More regulation or a break-up of the banks will not make them operate in the interests of the wider economy. Their main objective will still be to make profits for their shareholders and bonuses for their top executives. That will continue as long as banks are under private ownership.

Deregulation of finance began in the 1980s. Deregulation was pushed by the finance industry itself. It wields disproportionate political influence. Deregulation led to the rise of universal (retail and investment) banks with fingers in every pie. It meant the banks could now get away with anything. Retail banks have been drawn in to the thrill of betting for high stakes in global markets and have become universal banks – and have lost money disastrously as a consequence.

6. SHOULD BANKING BE SPLIT OR BROKEN UP?

Many commentators have drawn a distinction between retail banking (necessary) and so-called investment banking (socially useless). Politicians anxious to be seen to do something about the mess the banks have created have raised the question of separating the two activities.

During the Great Depression in the 1930s, the US Glass-Steagall Act completely separated high street and investment banking. Retail banks were heavily regulated and consumer bank deposits were guaranteed by the state. In other words, ordinary banking was made safe for the general population. It was made clear to investment banks that, if they gambled and lost, then they had to take the consequences.

The UK government commissioned the Vickers Report, which in 2011 concluded that there should be 'Chinese walls' between basic banking and investment banking to provide a buffer between gambling and safekeeping our deposits. The brutal truth is that banks will get round these regulations as they have always done.

Unfortunately it is a truth most politicians are choosing to ignore. As the Good Banking Report says, 'Decontamination by firewall is impossible to execute.' The present government has given the banks up to ten years to implement watered-down proposals from the Vickers report. It will soon be back to the 'light-touch regulation' that turned a blind eye to the credit bubble before the 2007 crunch.

Separation of functions is not the answer. It would not have prevented the 2008 meltdown. In any case, the crisis did not originate with the big banks. In Britain it started with Northern Rock and Bradford and Bingley.

Should the banks be broken up?

Have the banks become 'too big to fail'? If so, should they just be broken up? The 'too big to fail' argument avoids the real problem. The truth is that the banking system is so interlinked that a crisis anywhere threatens to disrupt the entire system. So the banks are too interconnected to be allowed to fail. They have helped to create a spider's web of payment flows and mutual interdependence that links people and business all over the world. If one goes down there is a danger that they all go down like a row of dominos. That is why the Bush government felt it had to take over Lehman Brothers in September 2008 – to avoid complete financial Armageddon.

7. WHAT WILL NATIONALISATION COST?

Should these banks' shareholders and bondholders be compensated? If so, how much should they get? Shareholders are, after all, the owners of the banks that have brought the economy to this present impasse. At present, bank share prices are quite depressed, so compensation would not cost too much.

Full nationalisation of the big banks would cost about £55bn at current market rates, or just 3% of UK GDP[17]. Even ministers have discussed buying out private investors in RBS for £5bn and fully nationalising it[18].

No cash needs to change hands. A share worth £1 can be swapped for a government bond worth £1 that pays the bearer a modest rate of interest. This was the procedure that was standard during the nationalisations carried out by the 1945-51 Labour government.

But in any case, there should be a public debate on the issue of compensation. The banks would not even be worth what they are today without the intervention of the taxpayer. Why should taxpayers subsidise the banks twice; once in the bailout and again by paying huge levels of compensation?

The richest shareholders shouldn't walk off with arms full of public money. There should be a limit to how much an individual should be compensated. Shareholders could be subject to a means test on their compensation, as benefit claimants are at present.

The Trades Union Congress (TUC), with the help of the banking unions, could consider the terms of compensation in detail.

Why should taxpayers subsidise the banks twice?

8. WHAT ABOUT COOPERATIVES AND MUTUALS?

Some financial institutions, especially in insurance and home loans are mutual companies owned in theory by their customers. In practice they are usually run by a self-perpetuating clique of directors. Thatcher gave incentives to the directors of the mutuals to float their firms on the stock exchange. Many of these big companies lost their identity in the process. Friends Provident, the Prudential, Scottish Amicable, Scottish Widows and Standard Life all went down the road of demutualisation.

The worst example was Northern Rock, which was a solid building society helping to provide mortgages and savings for people in the North East. It was driven to destruction by management under private ownership during the credit boom. It is clear that privatisation and demutualisation have worsened the service and increased the risks within UK banking.

It would not be necessary to take the remaining mutuals over. Merely demanding the power for the government to appoint directors would help integrate the mutuals into the state-owned finance sector.

It is important to offer choice on the high street. But it has proved very difficult for potential entrants into the finance industry to compete with the long-established big banks. Firms like Tesco have a huge presence in the high street and yet have been unable to establish themselves as serious rivals. Banking remains dominated by the big five – Santander, HSBC, Barclays, RBS/NatWest, and Lloyds/HBOS. It is public ownership of these that is the key to transforming the banking sector.

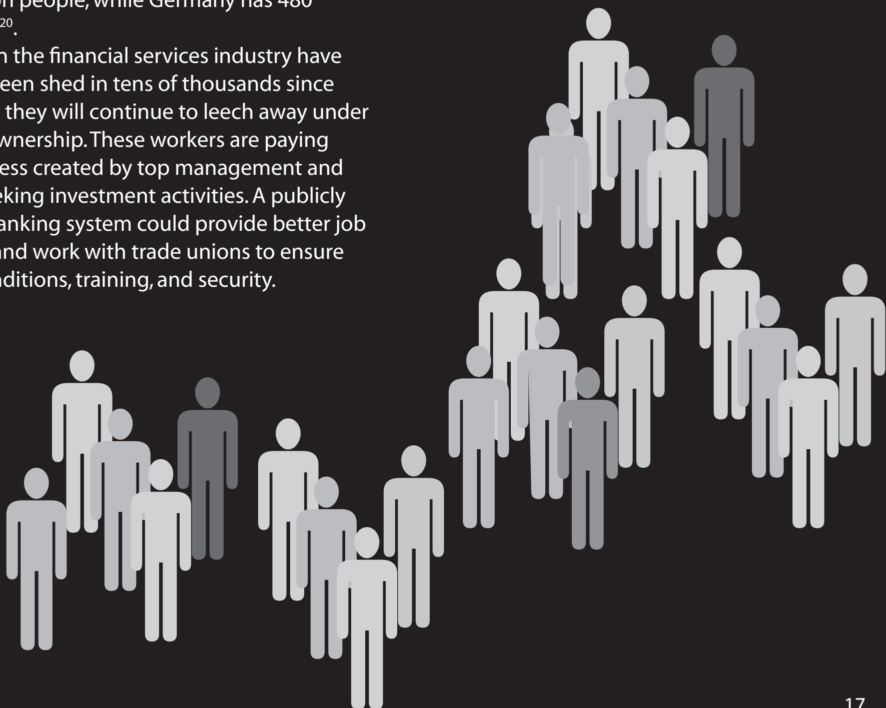
Alternatives like the Co-operative Bank and Unity Trust Bank could provide competition and keep the service on its toes, if the customers do not like the operation of the publicly owned banking sector. The same goes for credit unions. These are financial cooperatives owned by their members. The boards are elected on a one member one vote basis. Most are small in scale and serve local needs. A publicly owned finance sector could significantly improve the situation for credit unions and smaller or regional banks by stabilising the sector and providing expertise, advice and other services.

9. JOBS IN BANKING

About a million people work in the finance industry[19]. The vast majority work in retail banking. They are ordinary working class people, providing an important service to millions of customers. They do not earn obscene bonuses. They do not engage in crazy dealing. Indeed, the crisis of the past few years has been used to attack the jobs and conditions of bank workers. If banks were doing their job properly, they should be taking in deposits, paying interest on that and then providing credit to businesses and households on reasonable terms.

Under public ownership, there would be room for expanding employment in branches and in services to businesses and households. UK banks have been cutting back bank branches. There are now under 10,000 branches, down 43% from 20 years ago. This is partly due to better technology, but it is also the result of basic banking being replaced by risky investment banking. The UK has only 170 bank branches per million people, while Germany has 480 branches[20].

Jobs in the financial services industry have already been shed in tens of thousands since 2007 and they will continue to leech away under private ownership. These workers are paying for the mess created by top management and profit-seeking investment activities. A publicly owned banking system could provide better job security and work with trade unions to ensure good conditions, training, and security.



10. TOO IMPORTANT TO MEDDLE WITH?

Bank lobbyists say the banks should be left as they are. They are essential to Britain's prosperity. It is not true. The privately owned banking system has failed.

A survey of the period 2002-2008 shows that finance paid £203bn in tax while manufacturing, neglected and regarded as less important, paid £378bn, nearly twice as much. The tax revenues the government received from the finance sector in recent years were more than offset by the upfront costs of the bank bailout of £289bn, rising potentially to as much as £1,183bn[21].

So the banks took nearly £100bn more from the tax kitty than they put in and they threaten to take even more in the future. Far from being money spinners, they actually cost government money.

11. WILL PUBLICLY OWNED BANKS BE INEFFICIENT?

In a publicly owned banking system, customer deposits will be safer than savings held in Northern Rock proved to be. The flow of money through the banking system will continue as before. There is no technical problem in all this. Indeed, not so long ago one in three financial transactions were processed by Girobank, publicly owned and situated in Post Office branches. Then Girobank was sold off in 1990 by the Tories.

The private sector is not more efficient or better at delivering services, especially those needed by the majority. Some recent research has shown that state-owned banks protect customers and their money more safely and are less likely to generate a credit crisis than privately owned banks[22].

The private sector is not more efficient

12. GLOBAL INVESTMENT BANKS

There are about 500 financial institutions in London. Many of them are global investment banks. You have probably never heard of the National Bank of Abu Dhabi in Knightsbridge. And they are not interested in you. Banks like this do not take deposits or make loans to ordinary mortals. Why are they here? They are using London as a launch pad to speculate all round the world and wheel and deal globally.

These global banks are only based in London because they have been offered 'light touch regulation' by successive governments. In other words, they are here because they get more and give less here than anywhere else.

Taking over the UK financial sector will send a clear message to these institutions that their needs will no longer take priority over the needs of the majority. It can be made plain to them that, if they gamble and lose, they are on their own. No bailouts for them. The same goes for hedge funds and the fly-by-night operations of the shadow banking sector.

At the very least, all banks operating in the UK should be subject to a 'Robin Hood' financial transactions tax that could bring in revenue to the taxpayer, if a foreign investment bank wants to conduct its investment bets here. As European governments are planning a similar tax, why can the UK government not join them in reaching a common pan-European tax for financial transactions[23]?

CONCLUSION

Austerity is hitting millions of families in the UK. It is hitting hundreds of millions of people across Europe and across the globe. It is driving down living standards for the majority and is increasingly driving growing numbers into poverty. In the UK, (according to the Office for National Statistics) living standards have been cut by an average of 13.2% since 2008 – a far bigger fall than in previous recessions. The future for young people looks increasingly bleak.

George Osborne claimed that the private sector would step in with investment and jobs as the public sector was cut back. The truth is that there has been a shift toward the creation of part-time and temporary jobs, largely low paid. These do not offer any hope or security for young workers. Instead they are simply a further mechanism to drive down wage costs.

The entire austerity programme, in the UK and internationally, is about shifting resources from the majority to the wealthy minority. Osborne's hope is that these attacks on workers will open up opportunities for profitable investment and a restoration of growth. At the same time, the economic crisis and the austerity programme are being used as a mechanism to open up new areas for privatisation. Yet despite all the pain, they have not been able to deliver the promised growth.

The coalition government's economic policies are coming apart at the seams. Without a change in policy, working people face a future of austerity for as far ahead as the eye can see. Instead, working people need jobs, growth, prosperity and decent social services – not cuts.

Taking over high finance is the beginning of the way to change society for the better. It is not the only thing that needs to be done, but it would be central to any serious plan to rebuild the economy in the interests of the majority. The ideas of public ownership have been under attack for many years. Yet the chaos on the railways and the mismanagement of the energy industry highlight that so-called 'free enterprise' cannot guarantee good quality services to consumers – let alone decent and secure conditions for the workers who deliver these services.

Above all, the chaos sparked by the banking system has utterly exposed the reality that our economy does not exist to provide jobs for workers or to deliver growth. It functions to produce profit for a tiny minority, regardless of the needs of the rest of us. We believe things can be better, more efficient and more democratic. Taking over the major banks would be a step on that road.

Footnotes

1 This pamphlet was written by Michael Roberts and Mick Brooks.

2 Adair Turner, How to tame global finance, Prospect magazine, 27 August 2009 http://www.prospectmagazine.co.uk/magazine/how-to-tame-global-finance/

3 National Audit Office, HM Treasury Resource Accounts 2011-2012, 16 July 2012 http://www.nao.org.uk/publications/1213/hmt_2011-12.aspx

4 Mervyn King, Speech to Scottish business organisations, Edinburgh 20 October 2009 http://www.bankofengland.co.uk/publications/Documents/speeches/2009/speech406.pdf

5 Andrew Haldane, Bank of England, $100 billion question, 30 March 2010 http://www.bankofengland.co.uk/publications/Documents/speeches/2010/speech433.pdf

6 Institute of Fiscal Studies (IFS), Living Standards, Poverty and Inequality in the UK: 2012, 15 June 2012 http://www.ifs.org.uk/comms/comm124.pdf

7 Sharlene Goff and George Parker, Diamond says time for remorse is over, Financial Times, 11 January 2011 http://www.ft.com/cms/s/0/d4f02d66-1d84-11e0-a163-00144feab49a.html#axzz26oFv0tbp

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TUC resolution 27: public ownership of the banks

Congress notes the disastrous role of the banks over the past five years.

Congress condemns the scandalous levels of pay and bonuses for senior bankers, while workers are expected to pay for the economic crisis.

Congress condemns the interest rate-fixing by Barclays and other banks, which demonstrates again that the banking industry fails to operate in the interests of the majority of people.

Congress notes that despite the tax payer funded bailouts and quantitative easing, the banks have failed to provide adequate lending and investment to assist economic growth and the creation of jobs.

Congress calls on the TUC to organise a thorough inquiry into the banking crisis. This should involve finance experts, trade unionists working within the sector and representatives of mortgage holders, small businesses and others affected by the crisis.

Congress believes that the de-regulated, free market model that has dominated for the past three decades has been exposed as a failure; a major change of direction is needed.

Congress believes the economic chaos and devastation sparked by the major banks and financial institutions should be ended through full public ownership of the sector and the creation of a publicly owned banking service, democratically and accountably managed.

Congress believes that the banking and finance industry should be developed as a key public service.

This new form of banking could play a central role in building a sustainable economy, investing in transport, green industries, housing, creating jobs and assisting the recovery in the interests of working people.

Fire Brigades' Union

This short pamphlet makes the case for a publicly owned finance industry that provides a public service, giving financial support to industry and working people. Taking over the banks will enable planning, investment and the creation of millions of jobs. A publicly owned and democratically accountable banking system is essential to developing such a programme.

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