Abstract

The late 2000s Global Financial Crisis swept the advanced world and spilled into the developing, creating chaos in its wake. At the crux of the crisis were the high-risk activities of investment banks in the developed world – and especially United Kingdom. Since then, academic and public discussion has revolved around the questionable relationship between investment banks and government that resulted in subpar regulation and the costly bank 'bailouts' of 2008 and 2009. What this thesis will to do is holistically assess how the power relationship between British investment banks and the United Kingdom government has evolved since the crisis, utilising *Doris Fuchs' Three Dimensional Approach to Business Power and Governance* and a wide array of research to address those structural, instrumental and discursive elements of business power.

Lifting the Shroud

Government, Investment Banks and Power in Post Financial Crisis United Kingdom

A critical deconstruction of the relationship between government and investment banks in the United Kingdom post global financial crisis (2007 – 2011)

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Declaration

This work is substantially my own, and where any part of this work is not my own, I have indicated this by acknowledging the source of that part or those parts of the work.

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Introduction: Lifting the Shroud

Government, Investment Banks and Power in Post Financial Crisis United Kingdom

> *A critical deconstruction of the relationship between government and investment banks in the United Kingdom post global financial crisis (2007 – 2011)*

In 2007, the year of the global financial meltdown and the subsequent 'bailout' of the United Kingdom's investment banks, protests targeted at both government and investment banks became commonplace in London. At the heart of this public outrage is the belief that the highly profitable investment banks who precipitated the crisis are the recipients of generous 'bailouts', while austerity measures are reserved only for citizens. This has called into question the nature of corporate power in the United Kingdom and the relationship between investment banks and government that created the regulatory vacuum which allowed the crisis to occur. This thesis seeks to assess how that power relationship between government and investment banks has evolved since the financial crisis.

The Global Financial Crisis; Its Origins in Investment Banking and Regulative Governance

The Global Financial Crisis of the late 2000s has been characterised by a crisis of confidence in the banking infrastructure that forms the backbone of the international capitalist system. The crisis, emanating from the collapse of mortgage backed securities in highly developed countries, has plunged the world into deepest global recession seen since World War Two (International Monetary Fund 2009). The locus of this crisis can be found in the activities of a few investment banks based in countries like the United Kingdom that conducted high risk activities in new, unregulated aspects of financial markets. This has led to a questioning of the power that investment banks have over government to maintain a permissive regulatory environment, and when faced with crisis, opt to provide bailouts of tremendous magnitude.

The most proximate cause of the Global Financial Crisis was the formation and trading of new unstable, mispriced and unregulated financial instruments by investment banks in the early to mid-2000s, which a wide spectrum of financial firms developed exposure to. This is consistent with the findings of investigations and reviews made by the United Kingdom’s chief regulator, the Financial Services Authority (Financial Services Authority 2009, 29 - 61), in addition to prominent economists Ben Bernanke (Bernanke 2009), Joseph Stiglitz (Stiglitz 2009) and Edward Glaeser (Glaeser 2009), as well as institutions such as The International Monetary Fund (Claessons, et al. 2010, 4 - 7) and the Committee on Capital Markets Regulation (Commitee on Capital Markets Regulation 2009); a body comprising of many of the United States major academic business schools, think tanks and leaders, including Harvard University.

Those financial instruments at the heart of the crisis include Collateralised Debt Obligations (CDOs), Credit Default Swaps (CDWs) and various other Asset Backed Securities. Collateralised Debt Obligations are formed from conglomerating many applications for credit to form a single investment opportunity in a specifically formed corporation or Special Purpose Vehicle (SPV). Investment banks form CDOs and then on-sell them to investors such as pension funds and retail banks (Select Committee on Economic Affairs 2009, 2 - 10). The quality of CDOs were attested to by credit ratings agencies who’s function was to assess the aggregate ability of debtors to repay their loans. In the regulatory vacuum that existed however, there was no guarantee of the quality of CDOs and other asset backed securities, leading to highly rated bonds that in fact had a high probability of defaulting (Dowd 2009, 141 - 166). The collapse of property prices and that ‘subprime debt’ proffered by investment banks to investors and property buyers alike resulted in massive losses being recorded in a wide range of financial institutions, precipitating the complete financial meltdown

Contributory factors to the financial crisis that were more endemic to the United Kingdom include British investment banks high reliance on capital flows with very little in the way of asset security *(Refer to appendix a for further data)*. As the Turner Review reveals, British investment banks came to rely more and more upon high volumes of low-interest foreign capital in the years leading to the financial crisis (European Banking Authority 2011), they also engaged in more risky lending, with lower levels of collateral and capital reserves to fall back upon (Turner 2009). Adopting an 'acquire and arbitrage' model, in which the investment banks would purchase bulk credit from abroad to repackage and on sell to debtors, leading to a higher reliance on cheap capital streams that began to dry in 2007, precipitating the collapse of the Northern Rock bank almost immediately – creating further panic, leading to tighter credit, higher defaults and again, further panic (OECD, et al. 2008).

While the proximate origins of the crisis are clear, the question remains as to why government regulators and lawmakers did not act to rectify this possibly catastrophic arrangement in the years leading to the Global Financial Crisis. In the United Kingdom, government nominated not to regulate new forms of financial trading, such as credit default swaps in a new and evolving futures market as well as sub-prime mortgage lending and the wholesale re-packaging and on sale of debt (OECD Publishing 2009, 101 - 121). The United Kingdom government also opted to not regulate the permissible level exposure to unregulated foreign markets and firms, preferring for a system of self-regulation (United Kingdom Stationary Office 2009, 215 - 220). This system has allowed for greater liberalisation and the integration of retail banks, or banks holding savings, with investment banks that originally operated utilising investor funds (United Nations Development Program 2009, 104) (Hunton 1991, 27) (Richardson and Livingston 2011, 36 - 44).

It was this liberal attitude toward regulation, in addition to the stripping away of regulatory instruments as well as the resources and attention given to financial regulators that allowed the crisis to form unhindered (H.M Treasury 2011, 110 - 125) (Kawai and Prasad 2011, 194 - 198). Since the crisis, literature and inquiries have abounded regarding the unhealthy relationship between investment banks and government leading to the financial crisis, as will be discussed in Chapter 2 in further detail. Studies by prominent British academic Adair Turner (Turner 2009) as well as publications by Klaus Schwab, Nouriel Roubini, and James Bilodeau decry this relationship as one of 'regulatory capture' wherein the investment banks held a vastly disproportional level of power over government's principal enforcers (Schwaeb, Roubini and Bilodeau 2008, 44). David Miller describes this relationship as collusion between large investment banks and political actors (Miller 2011) that has had subpar outcomes for ordinary citizens. While the relationship between government and investment banks leading to the crisis is well documented, this thesis will assess how these power relations have evolved as a result of the financial collapse.

A Profile of the United Kingdom

This thesis will treat the United Kingdom as its principal case study, dissecting the power relationship between the British government and investment banks. While both the United Kingdom and the United States are credited as being the origins or 'patient zero' of the global financial crisis, the United Kingdom distinguishes itself by being, from 2002 – 2011, the most interconnected financial market in the world (Qatar Financial Centre Authority 2011, 6). Whereas CDOs and other exotic financial instruments originated in the United

States, their spread is attributable in no small way to British financial institutions, which own over six trillion pounds worth of assets or four times the United Kingdom’s GDP internationally (Reuters 2011). By purchasing and on-selling these new forms of debt, Britain’s investment banks spread the risk across the world.

Furthermore, as the financial crisis originated in the United Kingdom, the impacts of the crisis have been felt earlier, and the subsequent regulatory response has also occurred faster. This includes the first major bank collapses and nationalisation that occurred in the United Kingdom (The Economist 2007), the first major plan to bail-out the financial industry instituted by the United Kingdom government (Warren 2009, 17), the largest singular largest bank bailout in the world (Aikins 2009, 25) and the first major attempts to re-structure financial regulation occurring in Britain (Falloon 2011). In of itself, the United Kingdom is worth of study due to its position as the largest financial centre in the world (MC WorldWide Insights 2011) (City of London, Yen 2009).

The United Kingdom’s economy has been transformed over the past decade as a result of the investment banks it is home to. As a whole, the industry employs almost one million one hundred thousand employees with some one hundred and twenty thousand being directly employed by investment banks (Menon 2011). The growing significance of the sector is demonstrable in the increase from 10.3 per cent of total workforce in 2001 to 16.6 per cent as of 2008 (The City UK 2011) (Casey 2011, 1 - 15), with more individuals being employed in ancillary industries. As a relative share of the United Kingdom’s economy, the financial industry constitutes close to fifteen per cent of GDP by the time of the crisis (Swain 2008) with London being the world’s largest financial centre in the world (Busseire and Cassis 2005, 42).

The impact of the financial crisis in the United Kingdom has thus also been significant, with the three years of recession leading to negative economic growth of -2.1 per cent annually (Woo and Zhang 2010, 1) causing a 2.8 per cent increase in unemployment (OECD 2010, 1 - 3) and has seen tax revenue retreat almost twenty billion pounds (HM Treasury 2010) leading to harsh and unprecedented austerity measures (Nick Assander 2010).

Defining Investment banks and the British Regulatory System

For the purpose of this thesis, an investment bank is a corporation or a subsidiary that primarily deals in financial services that engages in the brokerage of financial acquisitions and the formation of investment opportunities. Investment banks are the principle component in the packaging and trading of financial products such as Collateralised Debt Obligations (CDOs) as well as Credit Default Swaps (CDS); as aforementioned, it is within these unregulated markets that the global financial crisis originated (Sun, Stewart and Pollard 2010, 437 - 450).

In the United Kingdom there are four investment banks, Lloyds of London, The Royal Bank of Scotland, Barclays Capital and HSBC, that comprise a seventy eight per cent market share (Office of Fair Trading 2011), while this thesis will not exclusively focus on those firms, it stands to reason that it will discuss their activities extensively. Other examples of banks with ‘commercial’ or investment banking subsidiaries based in the United Kingdom include Northern Rock and Gulf International Bank (UK) that were both involved in the formation of Special Purpose Vehicles (SPVs) for the sale of collateralised debt obligations, credit default swaps and operated with very low capitalisation rates (Llewellyn 2009).

Government is more loosely defined in this thesis as a composite of political decision makers and regulators, both government appointed and quasi-independent. The United Kingdom until recently operated under a 'tripartite system' of financial regulation, in which the regulatory responsibilities were defused between The Financial Services Authority (FSA), The Bank of England (BOE) and Her Majesty's Treasury (HM Treasury). The general division of duties charged the FSA with consumer protection from misleading or predatory financial products as well as complete prudential overview of investment banks to stem high-risk or fraudulent activities. The Bank of England in turn is charged with managing the macro-economic stability of credit markets while HM Treasury is responsible for assessing and funding interventions into the economy, if required (C. Goodhart 2008) (Hodson and Mabbet 2009).

In this system the principal regulator of investment banks is the FSA, operating under the powers and obligations of the Financial Services and Markets Act (2000). As the peak organisation charged with regulatory purview over investment banking, it was the FSA that prosecuted financial crime and misleading or predatorily activity, such as the knowing sale of 'junk' CDOs by investment banks. An accusation often charged against the Authority is it failed in flagging the insolvency of the Northern Rock bank, and also failed to notice the on sale of junk credit and sub-prime mortgages by investment banks. In June 2011 the Financial Services Authority was effectively disbanded, with its duties and powers dispersed amongst other regulators or vested in the Bank of England. This highlights the important role of legislators in defining, creating and empowering regulation and regulators, who along with their political parties, will be studied in this thesis.

Chapter 2: Conceptions of Business Power and Governance

This thesis seeks to analyse and deconstruct the power relationship between the United Kingdom's government, and its investment banks. Therefore it is fundamentally a question of business power and governance and the nature of public and private authority. As such it is important to establish a conceptual framework to address these issues that is appropriate for studying the relationship between investment banks and government in the United Kingdom. This chapter will outline the debate regarding the suitable approach to these questions and establish the methodology used throughout this thesis. Through this, the significance and place of this paper within existing academic discourse can be established.

A Framework of Study

"While global banking institutions are global in life, they are national in death."

- **Mervyn King**, Governor of the Bank of England

The first issue to recognise is whether questions of government and business relations are fundamentally dealt with on a national basis or international basis. While international treaties and frameworks may be regarded as important, as Charles Goodhart (Goodhart 2009)and Joseph Stiglitz (Stiglitz 2001)argue - issues of financial regulation are still derived from national authority and thus emanate from them. It is important to note that in the early 1980s, the United Kingdom embarked on unilateral deregulation of the financial industry – a decision made at a national level, though with international consequences. While negotiations are ongoing to find some form of agreement and harmonisation between states on financial regulation, with the third round of talks in Basel (Tarullo 2009), it must be acknowledged that the diplomatic positions of varying countries emanate from national institutions and goals. Often, as Deborah Avant, Martha Finnermore and Susan Sell argue, international organisations and bodies or 'global governors' enhance state power rather than supersede it, with "different states join with different (global) governors depending on the respective goals and constituencies of each" (Sell, Finnemore and Avant 2010, 357). The stance on financial regulation taken by the United Kingdom's government will originate from the interplay of public and private institutions within the bounds of the nation state. As such, this thesis remains fundamentally one framed in the national context of power relations between Britain's investment banks and government and how this relationship is constructed and evolving.

Private and Public Authority – The Myth of the Powerless State

While this paper will fundamentally address issues regarding business power in government, this issue also touches on issues of public and private authority, of which there is a broad academic discourse (Hay, Marsh and Lister 2006). The following section will address a variety of views regarding the nature of the state and national institutions, as well as the future of the regulatory state.

As L. Weiss terms it, 'globalist' orthodoxy exists in some academic circles, positing that the interventionist state is an artefact of the past. At the crux of this argument is 'the triumph of the market' wherein a combination of technological advances has allowed globalisation to render nations powerless in the face of transnational corporations and non-governmental organisations. As Desmonde McNeil, Benedicte Bull (Bull and McNeil 2007) and Michael Parenti (Parenti 2009) argue a view popularised by the likes of Martin Wolf and

Thomas Friedman that nation states are engaging in a new post-cold war order, as the free flow of capital, trade and knowledge reward localities that minimise 'intrusive' government behaviour (Friedman 1999) (Wolf 2004). Andrew Baker, David Hudson and Richard Woodward further argue that the financial industry is at the forefront of this transition from state authority, as the ability to move capital between national boundaries restricts the capacity of any individual state to act (Baker, Hudson and Woodward 2005, 13).

This is the 'Myth of the Powerless State' described by Linda Weiss, in which the role of the state, and national institutions, is under acknowledged when analysing business power, governance and globalisation (Weiss 1998) (Weiss 2000). To discuss the financial industry in particular, analysis by Allen Berger (Berger, Deyoung, et al. 2000) of two thousand 'multinational' banks and their affiliates tends to reinforce the notion that national institutions matter. Each of the multinational firms often adopted a 'nationality' independent of its global operations that "strongly influenced" its activities as well as extensively interacting with the government of their 'base country' (Berger, Dei, et al. 2002). This is consistent with the argument made by John Mikler regarding national institutional variance being an important element of business behaviour and regulatory outcomes (Mikler 2009, 14 - 40). While acknowledging that often government may opt to delegate the authority of regulating to independent organisations, to the private sector or to international organisations, Louis Pauly argues that underpinning this behaviour is "legitimate public authority" that in crisis will "reassert their ultimate regulatory power" (Pauly 2002). Douglass North, Stephen Weingast and Barry Haber deconstruct in greater detail how the interplay between national institutions, specifically government structure, and its banking sector tends to define the competitiveness of the industry (North, Weingast and Haber 2007). This type of analysis trends to reinforce the importance of the interplay between national actors, particularly the state and private sector actors, as well as institutional legacies in shaping the nature of regulation as well as public and private authority.

The Regulatory State in the 21st Century and Normative Constructions of Legitimacy

John Braithwaite, Edward Glaisser, Andrei Shleifer and Steven Vogel have argued that a new 'regulatory' state has emerged in the United Kingdom, as well as in other countries in the past twenty five years (Braithewaite 2000) (Glaeser and Shleifer 2001) (Vogel 1996). At the crux of their argument is that the 'liberalisation' of markets has created more regulation, not less, in which government and society feels increasingly compelled to place limitations on the activities of business. While there is an observable shift from the centralised model of regulation and enforcement, behaviour that is compliant with institutional norms and socially specific customs is expected from industry, and when faced with non-compliance, regulators will tend to enforce those norms through both punitive measures and rewards. Though the state may intervene less often and less directly than in the 1950s – 1970s, there are more rules for business to comply with to mitigate the societal risks of globalisation. When analysing investment banks and government in the United Kingdom it is therefore important to acknowledge that both actors compete within an environment defined by long-held institutional and normative practices. This competition is one over legitimacy and power in regulation within a normatively constructed framework of the appropriate roles of government and business (Moran 2001).

In a more practical sense, the new regulatory state has brought with it a number of changes in the nature of regulation. As Timothy Sinclair argues (Sinclair 1999), business is often left to self-regulate and govern when their activities are acquiescent with wider societal norms. In the financial industry, up till the meltdown, inter-firm co-ordination in the form of rules and procedures such as independent bond rating agencies and accounting practices formed the crux of much of this apparent self-regulation. Bridget Hutter further notes that with the increased sophistication and specialisation of business due to globalisation, allowing for self-governance and so called 'regulation of industry regulation' has become increasingly attractive for national governments (Hutter 2006). Many examples exist of this behaviour, as surmised by Viriginia Haufler and Sinclair (Haufler 2001) (Sinclair 2001) in which regulation is delegated to the private sector.

While business has evolved to strip government of legitimacy by engaging in self-regulation and inter-firm co-operation, the state has also evolved to delegate authority to quasi-independent regulators and other bodies to reaffirm its capabilities while shying from the previous hierarchical model of regulation (Borzel and Riesse 2002). Examples of this in the United Kingdom are outlined and discussed by the likes of Iain McLean, Fabrizio Gilardi and Colin Scott (Gilardi 2004) (McLean 2004) (Scott 2004), including the creation of a quasi-independent central bank and prudential regulation, the Financial Services Authority. More importantly, at the crux of these developments is a struggle for power and legitimacy in the eyes of society in conforming to broader institutions of behaviour.

Fuchs' Three Dimensional Analysis of the Power of Business in Governance

Doris Fuchs' *Business Power in Global Governance (2007)* provides important insights into the nature of government business relations and provides an effective and comprehensive framework to analyse the relationship between the financial industry and government regulation. Fuchs' work is principally in response to a wave of academia claiming that in the era of globalisation, authority has been increasingly vested in the hands of a few powerful transnational corporations. These bodies, described as "extremely powerful actors", like large financial firms and conglomerates, are reported to have "increasingly been able to shape governance" (Fuchs 2007) by the likes of Philipp Muller (Muller 2002), Claire Cutler, Virginia Haufler and Tony Porter (Cutler, Haufler and Porter 1999).

In response to this, Fuchs proposes that any model of studying the relationship between government and business that conforms to two key requirements

a) That it form a systematic and comprehensive framework of locating the various political activities of business in global governance within the context of power relations

b) It applies this framework to evidence on trends in respective political activities

The basic principal of this model is that the activities of business can be perceived through the lenses of power relations and in this, effectively assessed. It provides a useful framework of analysis for a question that is fundamentally relating to the power relations between government and business and the exact nature of those relations, it is important to note that Fuchs has earlier utilised it in an analysis of the power of the German finance industry (Fuchs and Graf 2010). At the crux of it, Fuchs' book is fundamentally a model on the nature of business and government power, how to perceive it, interpret it and effectively assess it. It lends itself inherently to an analysis of government-business power and their strategic interplay. Beyond this, as it separates the different forms and sources of power, it then is easy to distinguish between what is important or significant, and what is not. In analysing the evolution of the relationship between investment banks and government regulations, and the relative decline in private power, this model offers an in-depth and sectionalised mode of analysis.

To this end, Fuchs surmises the three different approaches toward power, instrumentalist, structuralist and discursive. In its simplest form, an instrumental approach toward power, as proposed by Jeffrey Berry and other instrumentalists (Berry 1997), is the study of the locus of power, the intent, cause and effect of actions is the basic focus of analysis. A structuralist approach to power, as discussed by Ronen Palan (Palan 1992), John Braithwaite and Peter Drahos (Braithwaite and Drahos 2000) attempts to bridge the short-comings of instrumentalism by taking into account the material structures that come to shape the agenda of policy options and determining directly and indirectly decision making. Discursive power as, proposed by Darrell West and Burdett Loomis (West and Burdett 1999), and proposed as the third dimension by Fuchs, is looking at those institutional and normative biases that frame entire discussions and the policy arena in which both problems and solutions are perceived.

It is important to note that discursive power is closely tied to legitimacy. This is a critical factor in issues related to public and private authority that will also discussed in this paper. As Arendt (Aredt 1970) and Hans-Jurgen Bieling (Bieling 2007)argue, while power, authority and legitimacy are heavily interlinked, they do not occur in that order of progression. In addressing questions of private and public authority it then becomes important to fully understand how private firms in the globalised world have pressed to redefining legitimate authority and the perceived boundaries of government power. This is especially important in relation to the study of financial firms and government regulatory bodies. With this being said, when addressing the relationship between government and the financial industry, one observe the use of direct lobbying and increasingly complex forms of structural power in affecting policy decisions.

Fuchs also outlines how business uses these different forms of power in a more direct manner. While instrumentally business uses lobbying amongst a wide array of very direct interventions to effect policy change, they also utilise their structural power. This is the use of economic structure such as the ability to direct jobs or investment (or threaten to do so) to reward or punish government decisions, as well as new forms of political activities such as rating and standard setting that is effect, quasi-regulating the global financial markets. Finally Fuchs also discusses how business may opt to drive discursive power by defining and delineating zones of public and private authority, this is important and is discussed in a wide range of literature. In effect this determines what is perceived as legitimate public and private action in arguably restricts the scope of national governance.

While other authors and texts mentioned assist with studying this topic in a more theoretical sense, Fuchs provides a highly practical model to analysing the relationship between business and government in the era of globalisation. It is Fuchs model that informs for the large part, the methodology outlined in later sections of this paper. Consistent with the model put forward by Fuchs, this paper is divided into three chapters, outlining in greater detail the Structural (Chapter 3), Instrumental (Chapter 4) and Discursive (Chapter 5) elements of the power relationship between the United Kingdom's government and investment banks.

- In *Chapter 3: The Structural Power of Investment Banks* this thesis will look at a wide array of economic indicators to understand whether the structural significance of the industry to the United Kingdom as a whole has increased or decreased. This takes into account issues of tax revenue, export earnings, labour force engagement and addresses issues to do with industry support in the post-crisis era.
- *Chapter 4: The Instrumental Power of Investment Banks* will look in depth at the direct influence investment banks exert over regulators and decisions makers. This chapter takes a two pronged approach toward this issue, first addressing investment banking's power over regulators and then, through the analysis of political donations, statements, interviews and lobbyists behaviour, questions the sway investment banks have over decision makers in the United Kingdom.
- *Chapter 5: The Discursive Power of Investment Banks* finally looks at the perceived legitimacy of investment banks in British society. Initially documenting attempts by investment banks to influence public discourse, this chapter goes on to take measures of the evolving discourse produced by senior politicians and regulators, and then analyses newspapers and polling data, the changes in investment banks discursive strength.

Contributions of this Thesis

This paper aims to contribute to existing academic discourse through analysing the most recent developments in the relationship between the United Kingdom's government and investment banks, whilst also utilising Fuchs model of business power and governance to build on contemporary understandings of public and private authority.

Since the Global Financial Crisis there have been several academic reviews regarding the relationship between government and investment banks in the United Kingdom, leading to the financial crisis. The Turner Review (Turner 2009, 117) conducted by Adair Turner stands out as one of the seminal and most comprehensive works in this area. The review addresses issues to do with the relationship between government and investment banks, and especially identifies major problems with Britain's regulatory system and the influence investment banks have had over policy makers and regulators. Former Bank of England and Financial Services Authority economists, Howard Davies and David Green have also written extensively on this relationship (Davies and Green 2008), as too have Steven Aikins, Irvine Lapsley and Wim Naude that arise at similar conclusions to the Turner Review's criticisms of government-business relations (Aikins 2009) (Lapsley 2010) (Naude 2011). What this thesis seeks to address is how or whether this power relationship between government and investment banks has changed since the Global Financial Crisis. In this manner, this thesis contributes a fundamentally new element to the existing public discourse.

Further, this thesis will apply Fuchs Three Dimensional Model of Business Power and Governance to a practical setting. Fuchs has already utilised this model to analyse the relationship between government and the banking industry in Germany, this thesis will extend this form of analysis to the United Kingdom. This analysis will also have potential therefore to contribute to contemporary understandings of private and public authority and the notion of the regulatory state by deconstructing in depth, the relationship between government and a particular sectoral interest.

Chapter 3: The Structural Power of Investment Banking

Structural power is not a force that must be wielded by business to influence government and change the nature of regulatory debate. Rather, structural power is constituted by the economic conditions that influence government decision making; it can either enhance or diminish the relative power of business when dealing with government. The structural power of investment banks in the United Kingdom lie with the sectors economic significance as a driver of growth, its level of labour force engagement as a major employer and its supposed mobility over state boundaries, which theoretically allows the industry to reward and punish government. Throughout the early 2000s the economies of both London and the United Kingdom developed a structural dependency on the employment, bonuses, export earnings and tax revenue generated by the industry. The structural importance of the sector to the economy as a whole served to encouraged and reinforce lax regulations as well as a national framework that viewed investment banking as integral to Britain’s future. The following chapter will document whether and how this structural economic power has evolved since the Global Financial Crisis, as is it assists in forming a greater understanding of how the power relationship between government and investment banks has transformed due to the crisis.

Economic Costs and Benefits - Growth, Exports, Tax Revenue and Subsidies

With the decline of manufacturing as an effective base of export earnings and tax revenue (Gardiner and Mathews 2000, 210 - 230) (Cairncross 1996, 219 - 230), the government of the United Kingdom has looked to develop other industries, particularly in the tertiary services sector, to drive growth and form new tax base. Investment banking has filled this void as a chief export earner and driver of economic growth. This section will detail whether the structural power of investment banks have increased or decreased since the Global Financial Crisis by analysing key economic indicators regarding the importance of the industry in driving growth, export earnings and forming tax base. This section will also discuss the industry support provided by the government due to the crisis and its impact on investment bank's structural power.

As of 2010, financial services constituted twenty per cent of the United Kingdom's exports, valued at forty one billion pounds or four per cent of gross domestic product (Office of National Statistics, Bank of England 2010), with investment banking accounting for more close to ninety per cent of this and the lion's share of all financial services (LMI Research 2007). This constitutes a significant and sector of the United Kingdom's overall economy. From 2008 - 2009 investment banks saw a seventeen per cent reduction in their overall export earnings (Office of National Statistics, Bank of England 2009), dropping to forty one billion pounds a year from heights of over fifty billion annually. While this may suggest the economic significance of banks have declined, this is misleading, as while growth has been arrested from 2006 peak levels, investment banks export earnings have remained steady when compared to 2007 and are higher than any year in the past decade (Office of National Statistics, Bank of England 2011). This is contrary to reporting in financial papers of repute such as Bloomberg, The Financial times and the Wall Street Journal argue investment banks and the financial sector have declined as a result of the crisis (Bloomberg USA 2011) (Financial Times 2011) (Wall Street Journal 2010). While these papers appear to report a decline in the economic significance and therefore, structural power of investment banks, they do not account for the growth of the industry's relative economic size, or even absolute profitability within the United Kingdom.

Investment bank's relative share of gross domestic product, as opposed to absolute size, has not in fact declined; rather it has increased over the past five years, while investment bank's share of export earnings has also remained relatively stable when accounting the 2008Q2 to 2009Q2 decline of the United Kingdom's services exports at minus seven point one per cent, goods exports at minus sixteen point nine per cent and an overall export decrease of twelve point nine per cent nationwide (Ernest & Young 2011, 5). When investment banks export earnings are compared to the overall decline in the service export sector as displayed in Figure 1, and as noted in August 2010 by *The Telegraph*, rather than being in decline, the investment banks are integral to, and leading the recovery in the United Kingdom (Sibun 2010). This trend is not expected to change; the Office of National Statistics and Cambridge University predicts that financial services will grow to account for forty per cent of national output by 2020, increasing by one per cent of national output annually throughout the global financial crisis (Office of National Statistics 2010). While new growth has focused disproportionately on insurance firms, at least half of growth in the financial sector is expected to originate in investment banking (Office of National Statistics, Bank of England 2011, Table 1). The relative economic size and export potential of the United Kingdom's investment banks has either remained steady or increased when compared growth rates for any year prior to 2006.

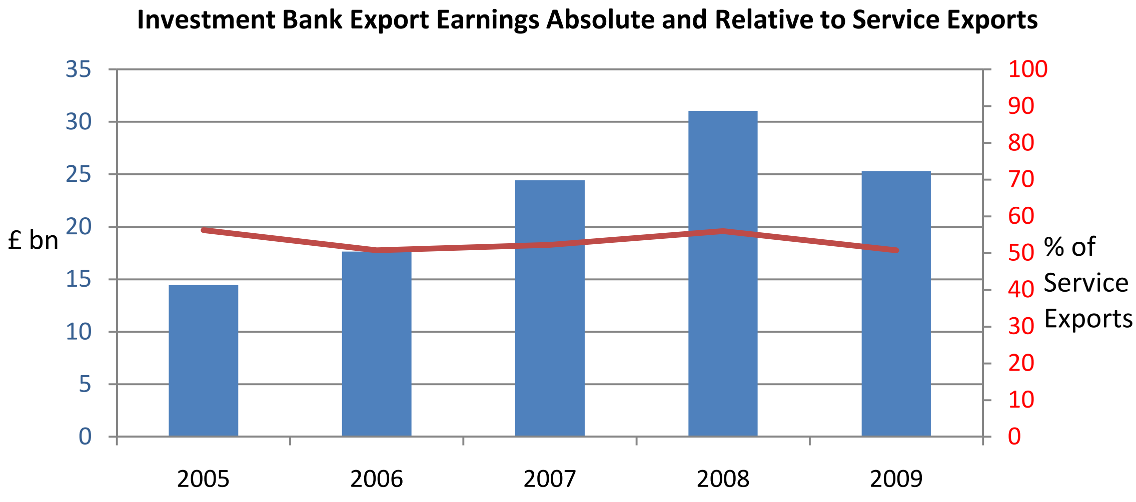

Figure 1. Investment Bank Exports in billions of pounds (blue) and as a percentage of trade service exports (Red) showing an increase in profits from 2005/6 levels and steady share of overall service export earnings over the 2007/08 GFC period

With the continued growth of the financial sector in the United Kingdom and a relative increase in their economic importance, the tax revenue generated from this industry, and likewise the dependency of government on the proceeds of the financial sector, have also increased. In 2010 eleven cents in every dollar of government tax revenue, or fifty three billion pounds, was generated from the financial services sector (PriceWaterhouseCooper 2010, 2), this share of tax base is only expected to grow by HM Treasury, which predict six per cent growth from this sector in both short and long term tax projections (Office of Budget Responsibility 2011, 2). When compared to other G20 countries, the United Kingdom ranks from first to forth highest on the percentage of total tax revenue collected from the financial industry, in the worst of times (International Monetary Fund 2010, 69). Iaona Petrescu estimates that the United Kingdom’s reliance on this revenue stream outstrips almost every other country in the world (Petrescu 2011, 2 - 20) with the industry being the largest singular source of tax revenue for government in 2010 (The City of London Corporation 2010). Further, the expectation that the economic centricity of investment banking is set to grow is reflected urban planning decisions regarding growth centres in Edinburgh (First Minister's Office 2008) and Leeds (University of Leeds 2009), that the UK government expects to become minor financial hubs, as well as allowances made for unprecedented development of investment banking office space within ‘The City’ in London as reflected in urban plans (Skidmore, Owings, Merrill lty 2007). These decisions suggest that the central nature of investment banks to the United Kingdom’s economy is only expected to grow with time.

In summation the United Kingdom’s investment banks have increased in their economic significance since the global financial crisis. Key indicators such as export earnings, proportion of GDP and percentage of national output indicate that investment banks have increased in significance for economic growth and future prosperity. While the United Kingdom’s economy has flagged in several major sectors, investment banks have relatively increasing their share of tax contributions and export earnings. When discussing the structural economic power of investment banks, it is important to keep in mind the financial rescue package of 2007 -08, and the possible negative impacts this could have had on the structural power of investment banks.

Bailing out the Banks

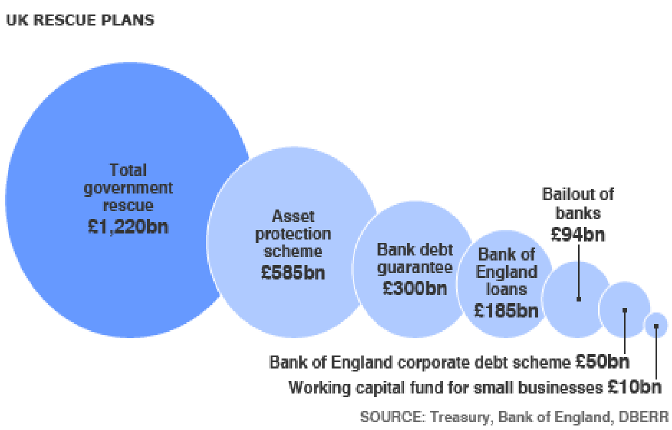

Figure 2. Asset Protection Scheme by Component

Any discussion of the structural power of investment banks, and especially the economic benefits brought by the industry, would be disingenuous if it did not account for the 2007 financial rescue package by the United Kingdom government in response to the global financial crisis. To outline the package in brief, it provided upwards of one thousand, two hundred and twenty billion pounds worth of support to the British financial industry (HM Treasury 2008) and specifically those investment arms that had become overly exposed to high-risk markets that were at risk of defaulting during the global financial crisis. This package also involved conditions aimed at increasing lending and liquidity in the market through government guarantees and credit (Osbourne and Darling 2008). From the perspective of government, the package constituted a major intervention in the economy. In 2010, public sector net debt was nine hundred and forty four billion pounds or sixty two per cent of GDP, a level consistent with European sovereign debt standards[1] as outlined in the *European Council Stability and Growth Pact* (Council of the European Union 2011, 60). When debt accrued from the financial rescue package is included, encompassing the debt obligations of now public corporations the Royal Bank of Scotland Group and Lloyds Banking Group, the national public debt liability rises to two thousand two hundred and fifty two billion pounds or one hundred and forty nine per cent of gross domestic product (Office of National Statistics 2011). This figure does not include five hundred billion dollars in liabilities from the underwriting of mortgage securities (Economics.co.uk 2011). This program constitutes the largest insurance policy ever written (Downing 2011, 162) and its total possible cost is greater than the entire 2009 budget (HM Treasury 2009, 39).

Superficially it would appear that the United Kingdom's government rescue package was at a tremendous public cost, with a bailout of the UK's key financial institutions and especially investment banks that engaged in overly risky investment practices. Upon further

[1] This Pan-European pact is an agreement to generally limit annual deficits to within three to six per cent of gross domestic product and overall deficits to below sixty per cent of GDP

examination however, the Bank Rescue Package constitutes a massive investment and underwriting of investment banks by the United Kingdom government. Whilst the United States *Troubled Assets Relief Program* effectively bought underperforming assets from banks for well above market value, the United Kingdom's plan has followed the Swedish model[2] (Fratiani and Marchione 2010), by investing directly into banks and underwriting their assets. As such, the dynamics of the British rescue package are also different, as the government's liability rests not with the performance of troubled assets, but rather with the investment banks themselves. A primary example of this is the five hundred and eighty five billion pound *Asset Protection Scheme* under which the United Kingdom government has insured banks against losses from their most risky assets (HM Treasury 2009). Bank debt guarantees work in a similar manner, wherein government has underwritten the credit lent to banks, in effect accepting final liability for those loans.

What these programs, and the direct purchase of investment banks Royal Bank of Scotland Group and Lloyds, have in common is that they have increased the United Kingdom's direct expose to the performance of investment banks. By insuring investment banks against losses while purchasing stakes in their holdings and lending two hundred billion pounds in the *Special Liquidity Scheme* (Downling 2008), the United Kingdom government's net debt and earnings are now intricately linked with the performance of key investment banks. While it is entirely possible that much like the Troubled Assets Relief Program (TARP) in the United States (Congressional Budget Office 2010, 9 - 13), the United Kingdom's rescue package may indeed turn a profit, this, however is contingent on the performance of investment banks over a period that may extend up to a decade or more. In

[2] The *Swedish Model* as explained by Fratiani and Marchiani is a bank bailout that expects investment banks to take large write downs on troubled assets before government intervention and allows for direct government ownership of banks

reality, while it may appear that the bank rescue package has dented the structural economic power of investment banks, rather, it has made government and society even more vested in the profitability and health of British investment banks. In this manner, the structural power of investment banks has grown, as the economic performance of investment banks more directly affects government as a shareholder and a stakeholder.

Job Creation and Labour Market Engagement

Contemporary economists and planners Robert Imrie, Loretta Lees, Mike Raco (Imrie, Lees and Raco 2009, 40 - 60) as well as Brian Hocking and Steven McGuire (Hocking and McGuire 2004, 5 - 12)have often espoused the virtues of high-services industries such as investment banking and financial services as an integral component of the post-industrial economy for the United Kingdom. As a provider of desirable high income employment with few environmental costs, governments have opted to encourage the formation of a financial industry through tax incentives, subsidies and lax regulations (Sobel 2002, 210 - 230). The structural economic power of the industry, in no small way, is derived from its ability to create large scale employment that forms the backbone of the thriving London economy. What this section seeks to address is whether the industry’s ability to engage the labour force has increased or decreased since the global financial crisis, as this is a component of the industry’s overall structural power and ability to reward and punish government.

Perhaps the most important aspect of investment banks engagement with the labour market is the number of employees engaged at any given time. At its peak, the financial industry employed one million and seventy eight thousand employees in 2007, with one third employed in investment banking, whilst by 2011, this amount had declined to a little over a million direct employees (Office of National Statistics 2010). With almost eighty thousand workers unemployed due to the global financial crisis, the significance and the attractiveness of investment banks as an employer has somewhat declined in this regard.

A sharp recovery in recruitment however indicates that most jobs lost during the 2007 – 2010 period will be replaced in the very immediate future with recruitment increasing by seventy per cent from 2010 to 2011 (Morgan Mckingley 2011). When compared to the national average, investment banker wages have increased robustly, averaging seven per cent in 2009 in a year when the average British worker's wage decreased by 0.4 per cent (UK Centre for Economics and Business Research 2009). With this said, this increase in wages has largely been to offset the decline in bonus payouts that decreased by nine per cent from 2008 – 2009, though still costing a total of six billion and seven hundred million pounds. As aforementioned, compared to the 0.4 per cent nationwide downturn in wages, bankers in 'The City' remain lucratively renumerated before, during and after the Global Financial Crisis.

While the direct employment of the investment banking industry is immense within the context of a relatively new industry, the number of ancillary industries and other employment that has sprung up around investment banks has also been great. While the exact number of jobs is hard to measure, within Canary Wharf, the heart of the financial sector, the *Business Register and Employment Survey* suggests that some two hundred and thirty two thousand non-financial sector jobs in construction and retail were created due to the investment banks situated there (Office of National Statistics 2010). TheCityUK asserts that similar ratio can be extended throughout the United Kingdom economy, with hundreds of thousands of jobs being created as a result of the financial industry (TheCityUK 2011). In the eyes of government, this constitutes not just a growth in tax base and employment, but also the structural economic power of the financial industry.

From 2007 to 2011 the labour market engagement of investment banks remained stable or slightly decreased, and as such, it would appear that so too has some of the structural power of investment banks as an economic powerhouse providing employment for 'The City'. Treasury predictions however, expect an overall increase in employment relating to the financial industry in the period of 2011 – 2015, even with the job losses of the 2007 – 2011 periods (Office of National Statistics 2009). This is reflected in an uptake of employment in 2010 – 2011 of a modest eleven thousand jobs in the financial industry. It is also important to note that both the high-end property and luxury goods market are highly dependent on investment banker's bonuses according to industry group representatives that operate in the London market (AboutProperty 2011) (Savill 2011). Ledbury Research estimates that some two thirds of all bank bonuses paid in cash, rather than stock, go directly into the luxury market (Ledbury Corporate Research 2010).

Another important element is investment bank's labour force engagement is the level of graduate recruitment. As significant as graduate employment is in of itself in generating jobs, graduate programmes are also an indicator of long-term employment commitment by investment banks to training traders, analysts and other specialised professionals. Graduate recruitment in finance has declined slightly, though not as precipitously as other employment categories within the British economy. In the years following the global financial crisis, recruitment decreased by 2.8 per cent with total graduate intake dropping below ten thousand for the first time since the early 2000s (Higher Education Statistics Agency 2007). However, this modest decrease in recruitment tends to reinforce the Treasury findings that suggest investment banks will tend to increase their labour force engagement over the long-run. This does not include investments made by individuals into tertiary qualifications only relevant to the finance field, and hence highly dependent on the industry for employment.

To conclude, from 2007 to 2011 the investment banking sector's labour engagement has seen slight decline that is now in its recovery phase, however the size of this decline and recovery is nowhere comparable to general trends in the British economy. Both private and public sector forecasters foresee a recovery of the former position of investment banks as job creators, and long-term investments in the labour market have been largely unaffected in anticipation of higher long run demand for skilled financial sector workers. From the standpoint of the labour force, the structural economic dependency on investment banks has, if anything increased, as it is the investment banks that are leading the recovery in the British labour market.

Banking Mobility and Flight

As mentioned by Fuchs (Fuchs 2007), it has been argued that a key element of business power in the globalised era is the ability of 'transnational' corporations to move from one country to another. This is especially significant in the financial industry and investment banking as there is a perception that capital based industries such as investment banks can move with greater ease than ordinary corporations. With the aforementioned ability of investment banks to 'reward' government with favourable economic conditions, this section assesses investment bank's power to punish government by moving their operations. Through looking at regulatory and operational flexibility, this section will assess the ability of industry to quickly transfer its operations from one country to another, and whether this ability has or increased diminished over the past four years, thus reducing the real structural power of the financial industry. While this issue is also discursive, as the perception of business mobility by society and regulators is as potent as real mobility, this section seeks to test the evolving economic realities underpinning this notion and determine whether there is a reality to the notion of a highly internationally mobile finance industry.

The United Kingdom is perceived by other European states to take the most laissez faire approach to financial regulation (The Guardian 2009) (Majone 1996, 66) (Ebbinghaus and Mannow 2001, 20 - 60), traditionally limiting new regulation in negotiations for Basel II and III, the European negotiations for general increases in bank standards and regulations. The Aite Group noted in 2010, that both European and the United States new financial regulation measures on hedge funds have led to higher compliance cost, while the Financial Services Authority in the United Kingdom did not feel similar regulations on hedge funds were required (Aite Group 2011). In a study by Julian Franks, Stephen Schaefer and Michael Stauton, the overhead costs relating to regulatory compliance were lowest in the United Kingdom, followed by France and entirely below that of the United States.

An investment bank moving from the United Kingdom to another country would face significant regulatory compliance costs, as most advanced post-industrial countries have regulation that, though varying in comprehensiveness, are certainly more expensive that those in the United Kingdom (Franks, Schaefer and Staunton 1992). As such, as noted by Mervyn King, Governor of the Bank of England in Parliament, that the margins of saving for investment banks on regulative costs by operating in the United Kingdom are so high that the cost of regulatory compliance is prohibitive for the movement of investment banks, whether in 2007 or 2011 (House of Commons: Treasury Committee 2010, 20 - 40).

To take the example of Barclays that has threatened to move its headquarters to both Hong Kong and New York (The Telegraph 2011), such a move would cost hundreds of millions of dollars according to Bloomberg (Bloomberg USA 2011) while also limiting access to cheaper capital flows in the United Kingdom (McKinsley Global Institute 2011) and one of the largest pools of qualified financial experts in the world. In reality the tax situation in Britain is favourable toward investment banks when compared to other financial centres, with investment bank HSBC paying higher taxes in Hong Kong than in the United Kingdom (Financial Times 2010). Industry experts also suggest that if a British bank was to move, only one in four staff would follow, meaning a substantial disruption of business activities (Prebon 2011).

While discursively, the ability to quickly move operations to another major financial centre may or may not be a potent threat, in economic terms, there is little evidence that such ability really exists with none of the 'big four' major investment banks quitting the United Kingdom in this period, though all threatening to do so . Prohibitive regulatory compliance costs as well as operational costs beyond a lack of institutional compatibility suggest that investment banks cannot quickly move from one state to another. This threat is therefore a purely discursive one, which will be discussed further, though not a factor in the structural power of the investment banking industry.

Concluding statements

Intuitively, one may be led to believe that the global financial crisis would have severely hampered the structural power of investment banks in the United Kingdom. Key economic gauges however indicate that this is not true, and that the structural power of investment banks has increased since the Global Financial Crisis. While in absolute terms on some indicators, investment banks have taken a negative turn, overall, their relative share of export earnings, jobs created, tax revenue generated and other key indicators have increased. In terms of dependency upon the sector to drive growth, in terms of jobs created and especially compared to the decline in other sectors of the British economy, the structural power of investment banks is stronger than before the crisis. This power is also forecast to grow, with government predicting larger export earnings and higher recruitment levels in the future. The structural power of the sector is reinforced by the 'bank bailouts' that have increased the exposure of the British government and economy to the performance of investment banks. Further, the issue of highly mobile investment banks is more of a discursive reality than an economic one, with investment banks unable to move quickly cross nationally both prior and post global financial crisis - and hence not effecting investment bank's structural power either way. In short, the structural power of investment banks have not been adversely affected by the Global Financial Crisis in a significant way, while empirical evidence suggests that in many regards, it has increased since 2007.

Chapter 4: The Instrumental Power of Investment Banking

This chapter will explore the instrumental power of investment banks in the United Kingdom. Instrumental power is the influence that business exerts over policy makers to directly shape regulatory outcomes and the policy process. It is a form of power that is exerted in private to sway regulators and policy makers toward behaviour that they would not otherwise be inclined to. Through the use of this coercive power, investment banks may attempt to stifle parliamentary debate, prevent particular legislative items from being proposed or dull the effectiveness of regulators. As Fuchs (2007) argues, this power manifests itself in many different ways, a primary method being the use of technical and financial resources to directly influence the behaviour of regulators and policy-makers. Business also often utilises political donations to exert instrumental power over politicians in conjunction with lobbyists to influence policy makers on issues before they subject to public scrutiny. This chapter will analyse the interactions between the United Kingdom's investment banks and its chief financial regulator, the Financial Services Authority, as well as with politicians and their affiliated parties through political donations and lobbyists, to understand whether and how the instrumental power of investment banks has changed since the Global Financial Crisis.

Instrumental Power of Government: A Case Study of Regulatory Capture

The Financial Services Authority (FSA) is the primary regulatory body in the United Kingdom charged with four statutory objectives outlined in the *Financial Services and Markets Acts (2000)* these are the; maintaining market confidence, public awareness, consumer protection and the reducing financial crime. For the last decade investment banks, building societies and the vast majority of financial services fell under the purview of the Financial Services Authority and despite the June 16th 2011 Chancellor of the Exchequer's announcement of the FSA's planned dissolution (Osborne 2010), it remains the United Kingdom's principle financial regulatory agency.

In practice the Financial Services Authority is charged with prosecuting financial crimes such as the sale of misleading or predatory financial products, ensuring the integrity of advice given by investment firms through the licensing of those eligible to trade and maintaining the integrity of investment banks by ordering the auditing of firms and prosecuting breaches of financial regulations. From 2000 – 2007 the Financial Services Authority is accused in the Turner Review, a report commission by the British government, of neglecting its duties in allowing firms to engage in high risk behaviour, predatorily lend to at-risk individuals, allow the proliferation of CDOs and failed to generally ensure the integrity of the financial advice being sold to the general public.

The following section will outline the manner in which the Financial Services Authority became dependent on the technical and financial resources of investment banks, the exact nature of this reliance as well as its implications for regulation and finally it will assess how this manifestation of investment bank's instrumental power has evolved since the Global Financial Crisis.

Overstretched and Underfinanced: The Financial Services Authority

The practical task of the Financial Services Authority involves overseeing several hundred thousand investment bankers, including certifying CF30 investment advisors, or those twenty eight thousand eight hundred and thirty five individuals permitted to oversee the vending of financial products and advice to the general public. The FSA must also ensure the integrity of investment firms, varying from larger firms like the 'big four' investment banks that have combined seventy seven to eight five per cent market share (European Commision 2011), to smaller firms that are sometimes little more than sole traders. Toward these tasks the Financial Services Authority, as of 2010, employs some four thousand employees (The Financial Services Authority 2011), of which an estimated three to four hundred are dedicated toward the Conduct Business Unit (CBU) (OECD 2010) that is responsible for supervising investment banks. As a total of all FSA employees, some ten per cent are university graduates or currently undergoing tertiary qualifications (The Financial Services Authority 2011), this encompasses all certified financial and legal professionals that are integral in the enforcement process.

A major issue for the Financial Services Authority has been its inability to attract staff levels perceived as adequate by the Authority's recruitment goals. Information from the Authority reveals that over the past decade it has failed to meet its own graduate recruitment and staff retention goals repeatedly (Omidi 2010) (Financial Services Authority 2010). The cause of this dearth is the growing promise of investment banks for graduates coveted by both the private sector and the authority. A primary example of this dynamic is illustrated in The Time's opinion survey that lists the top one hundred employers in the eyes of recent graduates. While major investment banks HSBC, Barclays, RBS Group, Lloyds, Citi Group, Deutche Bank and Credit Suisse consistently rank highly, the Financial Services Authority has only ranked in the Top 100 once in the 2005 – 2011 periods. (Times Higher Education Review 2011).

Human resources firm Hedley May as well as the Financial Times point to the lower salaries paid at the regulator, estimating that to recruit staff of the quality the FSA requires, the Authority must increase wages by thirty five to fifty per cent (Financial Times 2010) (Hedley May 2011). In 2010 the average FSA employee earned £ 56,473 pounds (Waters 2010) with a further 213 employees earning over £100,000 according to a Freedom of Information request put to the regulator (FinancialTimes 2010) (Financial Services Authority 2010). In contrast the average employee of major investment bank Barclay Capital earned £236,000 per annum with an average annual bonus of £140,000 or seven thousand pounds higher than average wage of a FSA employee (Treanor 2011), Deutsche Bank posted similar results, with employees bringing in three hundred and seventy two thousand pounds in 2010 (Murphy, Jenkins and Baer 2011). These discrepancies in earning power extend to senior management across the private sector and the regulator (FinancialTimes 2010) (Financial Services Authority 2010, 92) while bonuses paid to FSA employees, which in 2009 - 10 paid twenty-two million pounds worth of bonuses amounting to 7,269 pounds per employee (Watts 2010), were almost a third less than the 12,500 pounds bonus on average throughout the financial industry (Inman 2011).

The FSA and British government have often justified salaries and bonuses higher than ordinary public servants upon the premise that the "FSA must compete with the financial sector for employees". The salaries, conditions or the reputation of the FSA have clearly not been enough to woo employees with the appropriate technical skills, as for three consecutive years, the Financial Services Authority has failed to recruit the levels of staff its feels it requires to properly regulate (Financial Services Authority 2011) (Michael Page Financial Services 2010, 4).

Outsourcing Regulation

The FSA's own targets for staffing levels reveals it has failed to retain what it seems to be the necessary human resources to commit to regulating the British financial sector in years prior to the crisis and after it. This has led to the outsourcing of many of the key regulatory functions of the authority to private sources or a reliance on investment bank's resources and information. This is exhibited in the Authority's dependency on industry assistance for the provision of adequate staff through secondees as well as the resources to conduct investigations. The implication of this dependency on industry co-operation and self-regulation is the strengthening of investment bank's instrumental power, in defining and shaping the nature of regulation.

Of those three to four hundred staff dedicated toward supervising investment banks in the Conduct Business Unit, a third to a half of these staff will be secondees from the industry (Financial Services Authority 2010). The Authority states that most of its employees "come from and return to regulated firms", with more than half being from the industry at any given time. Major investment banks such as the Royal Bank of Scotland, Investec, Deutsche bank, Barclays, Standard Chartered Bank, UBC and HSBC were all contracted in 2011 to provide 'consultancy' work to the Authority valued at over one and a half million pounds annually in addition to external 'City' staff valued at a little over five hundred thousand pounds (Waters 2010) (Financial Services Authority 2010). Of these firms, three were recipients of Asset Protection Scheme funds after engaging in the high risk trading that contributed toward the financial crisis (Financial Services Authority 2011). In the simplest terms, the Authority pays for the advice of private firms it is charged with regulating, that have demonstrably engaged in activities that the Authority is entrusted with restraining.

With half of its enforcement arm coming from the industry, and further consultants being paid to assist them in their activities, there is a clear opportunity for 'The City' to utilise its technical capabilities and financial expertise that the FSA is dependent upon, to influence the practices of the regulator.

The Authority further spent from 2009 – 2010 sixteen million one hundred thousand pounds on consultancy from seven major 'City' firms that obtain significant billings from every investment bank listed in the Top 100 FTSE companies including all of the 'Big Four' banks (EFinancial 2011) (Financial Services Authority 2010). Pricewaterhousecooper (PWC), a major beneficiary of those FSA contracts was found to have acted without "due care, skill and diligence" by Accountancy & Actuarial Disciplinary Board when dealing with investment bank JP Morgan Chase's statutory reports to the FSA, this failure allowed some £23bn worth of capital to not be adequately ring fenced per regulatory standard (Bowers 2011) (Accountancy & Actuarial Discipline Board 2011). Similarly Ernest & Young, another major FSA contractor, is engaged in legal proceedings over misleading investors by allegedly 'window dressing' the accounts of collapsed investment bank Lehman Brothers (People of the State of New York v. Ernst & Young 2010).

Of those six firms contracted with assisting FSA's in prudential enforcement and investigations, all four have had adverse decisions regarding their audits of investment banking activities. For instance, when former HBOS Plc[3] whistle-blower Mr Paul Moore[4] raised concerns regarding high-risk trading at the investment bank, KPMG was charged by the FSA with investigating the auditing of HBOS, also conducted by KPMG for a fee of £11m

[3] Halifax Bank of Scotland, investment bank, subsidiary of Lloyds TSB
[4] Mr Paul Moore was Head of Risk at HBOS from 2002 – 2005, after being a partner at accounting firm KPMG from 1992 – 2002

per annum from HBOS, for possible wrong doing. The report recommended no disciplinary measures against HBOS, which would collapse in the crisis, while the HBOS manager who personally sacked Moore would go on to be the Deputy Chair of the FSA (Moore 2010) (The Telegraph 2009) (Times 2009). Similarly, FSA contractor PWC assisted in 2006 the Northern Rock bank with the 'raising of wholesale funding' that would eventuate in the investment bank's downfall (Northern Rock Bank 2009, 72). PWC was then charged by regulators with investigating and advising regulators regarding Northern Rocks pre-crisis activities, a report that controversially exonerated Northern Rock (The Guardian 2007). The outsourcing of the FSA's investigations and enforcement to financial firms with significant contracts also with investment banks has allowed the industry to exercise a great level of instrumental power over regulators, in effect blunting regulation and securing favourable decisions.

These criticisms call into question the Authority's use of its Section 166 powers for investigations, outlined in the *Financial Services and Markets Act (2000).* This process requires firms to acquire reports from other self-nominated financial firms that may potentially be rendered as evidence by the Authority. In 2009/2010 half of the Section 166 investigations were undertaken by the aforementioned 'Big Four' accountancy firms (Financial Services Authority 2010). These same firms all count investment banks as client, while all have also had adverse findings regarding the quality of the auditing of one or more investment banks prior to the Global Financial Crisis. The advice received by regulators from this process, much like the advice and technical resources provided by secondees and consultants from investment banks are questionable. Rather than assisting the FSA in its duties, these arrangements expose the regulator to the instrumental power of investment banks.

The Changing Culture of 'Soft Touch' Regulation

"*It (was) clear that the FSA became the victim of regulatory capture. From the start, market confidence was the overriding objective and consumer protection was not given sufficient weight. 'Light touch regulation' was the watchword*"

Deborah Arnott, Former Senior Financial Services Authority Employee[5]

As outlined above, the Financial Services Authority has substituted its lack of technical and financial expertise by relying on industry resources, and in doing so, has given the sector the ability to influence the application of regulation. This compromise in the integrity of the regulator is attested to by numerous past employees as well as current leadership in the Authority as the 'soft touch' approach toward regulation. This culture within the regulator is the product of the strong influence investment banking has over the regulator through the FSA's reliance on industry co-operation and resources to conduct its duties. It is characterised by a greater emphasis on maintaining confidence in investment banks then protecting consumers or ensuring market stability and a failure to rigorously investigate and prosecute financial crime.

In testimony to the House of Commons Regulatory Reform committee, numerous former FSA employees, senior management as well as independent experts testified to the understaffing and under resourcing of the regulator, with the committee noting that the

[5] Deborah Arnott was employed by the FSA from 2000 – 2004, Managing the setup of its Consumer Education program. In an interview she attests to the regulator failing to serve the public interest, rather being pre-occupied with maintaining confidence in the investment banks (Arnott 2010).

Authority was severely hindered by a "problems with turnover in high-grade staff" leading to an inability "to stand up to senior management in big firms" (Commitee on Regulatory Reform 2010). Analysis of the FSA's verification procedures from 2006 – 2008 reveals the Authority's minimalistic approach to regulation, conducting five hundred and four checks out of twenty nine thousand financial firms (Financial Services Authority 2009). On an annual basis, less than one per cent of firms can expect the Authority to verify the veracity of their accounts. In the same year the FSA only requested eighteen Section 166 investigations of firms to provide further technical information regarding firm activities (Financial Services Authority 2010). Comparably, in enforcing tax law, Her Majesty's Revenue & Customs (HMRC) spent £854m to employ some two thousand inspectors (HM Revenues and Customs 2010) to investigate and verify claims by accountants and tax practitioners, leading to a survey of practitioners revealing one in four had been audited (Chartered Institute of Taxation 2010). Compared to the enforcement of tax law, the FSA's verification process is clearly lacklustre and indicative of an organisation engaging in what one former employee labelled the FSA's attitude toward enforcement that "ranged from indifference to wilful ignorance" (Cable 2009)

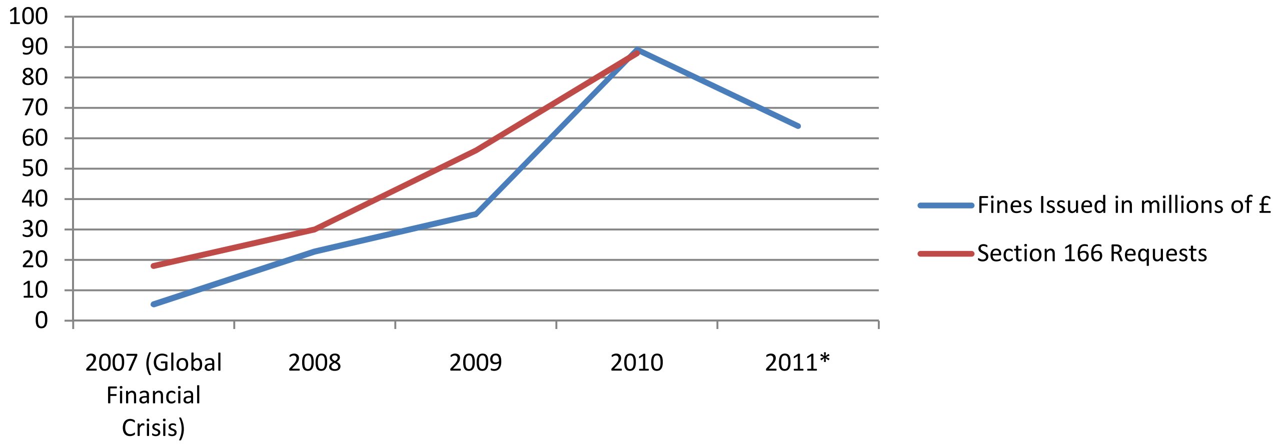

Figure 3 - FSA Fines & Section 166 Investigations According to Freedom of Information Requests

In a sign that the Global Financial Crisis has caused the regulator to reject the instrumental power of the investment banks, and assert its regulatory powers, the new FSA Chairman Adair Turner acknowledged the Authority's 'soft touch' approach to regulation as inappropriate (Schifferes 2009) (Hall 2009) and the aforementioned technical dependence on investment banks as "regulation the cheap way" (Elliot 2009), whilst calling for a more aggressive and capable Authority. The FSA's chief executive Hector Saints commented in an interview "*There is a view that people are not frightened of the FSA…this is a view I am determined to correct"* (Saints 2009) *in what Elisabeth Bremmer of DLA Piper describes as a transition to new regime of 'credible deterrence'* (DLA Draper and Bremmer 2009). *Reformations include an attempt to increase staff levels* by four hundred and sixty full-time employees or fifteen per cent to expand its regulatory capabilities and reduce reliance on the industry for resources (Financial Services Authority 2011). To finance this move and other improvements, the regulator has also significantly increased its industry levy by ten per cent to take its operational budget from £457m to £500.5m to pay for these extra capabilities (Financial Services Authority 2011). This shift in attitude and increase in resources has seen tangible results in a dramatic increase in investigation requests, by almost five hundred and fifty per cent from 06/07 to 2010, while fines issued by the Authority jumped a dramatic one thousand eight hundred per cent between 2007, when £5m worth of fines were issued, to 2010, at £89m, with fines tripling each year since Chairman Turner's announcement of the end of 'soft touch regulation' (Financial Services Authority 2011) (Financial Services Authority 2011).

What is clear is that since its inception, the Financial Services Authority has taken an approach toward financial regulation that was defined by and reliant on the instrumental power and capabilities of investment banks. Since the Financial Crisis, this trend has reversed, with the regulator attempting to build the technical capabilities and culture required to investigate and enforce financial regulations. Since then however, plans to disband the regulator have resulted in immediate loss of the FSA's credibility within the industry and more than two hundred and fifty five staff resignations (Kechington 2010) (Financial Services Authority 2010), in effect quickly undoing those developments made by the Authority since the financial crisis. Notably, fines issued by the regulator have dropped in 2011 by a third from the same period in 2010 (Financial Services Authority 2011). While the regulator has clearly had a great level of influence over the nature and style of regulation, especially as it independently sets its own budget from industry levies (Winnett 2009) (House of Commons Select Committee 2010), the power of policy-makers in the regulative process is unparalleled, and will be discussed further.

Instrumental Power of Investment Banks: Political Donations, Lobbyists & Buying Access

The nature of instrumental power is the ability to manipulate decision making outside of the public arena. While the section above discussed investment bank's instrumental power in co-opting regulators to affect influence over policy outcomes, the following section discusses the ability of investment banks to influence policy and debate before its inception. Important elements of this instrumental power is the level of political donations by investment firms, the prominence and resources dedicated toward lobbying and the level of access those donations and lobbyists yield for investment firms in effecting private change. This section will outline how these attempts to influence policy makers have transitioned since the financial crisis through the analysis of political contributions, lobbyist meeting logs and testimony from politicians amongst other sources of data.

Political Donations: Investment Banks & the Political Process

Campaign spending has become an increasingly important aspect of the British political process, with donations being integral to the strategies undertaken by major political parties. Political donations utilised by investment banks and their stakeholders have been used by investment banks for the purpose of purchasing access and leverage over policy makers, to ensure that before and after public debate, private decision making will include the input of investment banks. This following section explores the extent of personal donations, loans and corporate donations made by the sector to influence the political process.

When analysing political donations during the 2010 United Kingdom General election, one thing becomes eminently clear, notable investment banks largely do not donate to political parties. While a few investment firms have donated money a significant proportion of donations come from individuals closely linked to the industry, such as major stockholders, corporate officers and owners of private equity firms as well as their spouses. Using this looser definition of industry donations, twenty five per cent of donations to the Conservative Party and five per cent of Labour's donations came from the industry during the 2010 General Election. The Conservative Party in the United Kingdom advertises that donations to the party valued over £25,000 are rewarded with membership to the 'The Treasurers Group' with exclusive access to MPs and senior cabinet ministers year round. Donations of £50,000 purchase membership to 'The Leader's Group', which is tantamount to access to the Prime Minister David Cameron (The Conservative Party 2010). The UK Labour Party similarly runs, albeit more subtly, the 'Thousand Club' for members donating over £1200 annually (UK Labour Party 2010). Over the election period, those individuals and companies with significant interests in investment firms constituted close to one in eight donors[6] to major parties donating a cumulative total of £3,473,000 of the £13,460,127 or twenty per cent of the donations to major parties during the election (UK Electoral Commision 2011).

Investment banks have mostly reframed from donating publically to political parties, as have major financial institutions. During the 2010 general election, the only investment bank to make an officially declared donation to either major political party was JP Morgan Chase (UK Electoral Commision 2011). This however is the tip of a very large iceberg created by a loophole in the *Political Parties, Elections and Referendum Act (2000)*. While donations over £5,000 must be declared, loans offered at market rate do not. This has created an avenue for banks to indefinitely bankroll major political parties (Jones 2006). In many cases these loans appear to have no end date, low interest rates and the offer of additional loans to finance the interest of previous loans. Most notably, the Royal Bank of Scotland, HSBC and the Bank of Scotland (HBOS) –have been extremely prominent in bankrolling both political parties. From June 2007 to June 2011, the aforementioned investment banks lent £858m to major British political parties. Pre-crisis lending by these same investment banks, was similar at £ 871m from June 2004 to June 2007 *(see appendix c for transaction list)* (UK Electoral Commision 2011). In this manner, this particular form of instrumental power has not dulled due to the financial crisis, and given the overall 74% reduction in campaign spending from the 2005 to 2010 election, investment banks have stepped up their contributions. Significantly, lending to political parties has been overwhelmingly from the Royal Bank of Scotland, Lloyds and its troubled subsidiary HBOS, the major benefactors of the Asset Protection Scheme.

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[6] 1 in 7.67 donors

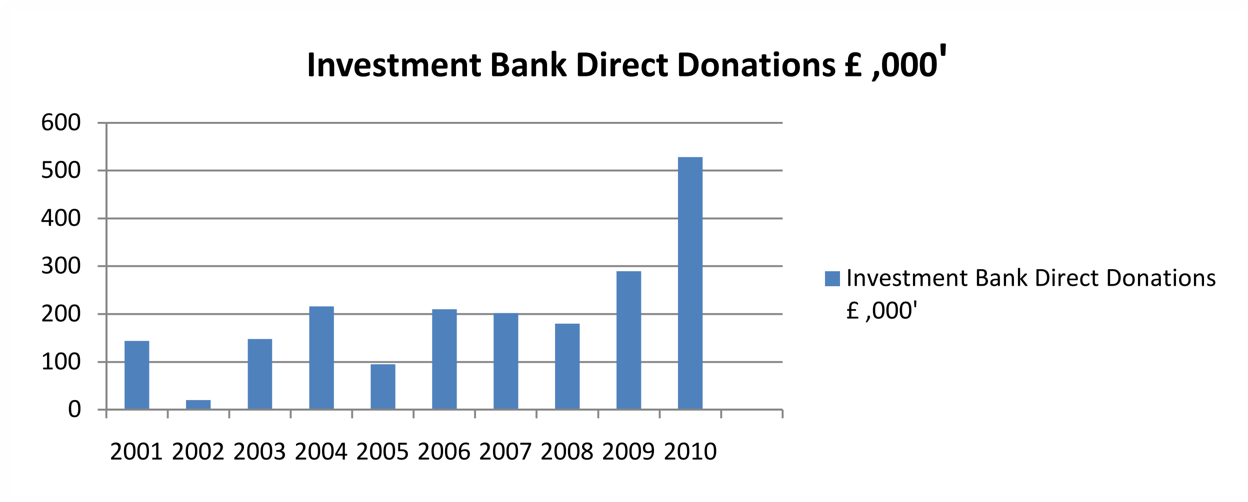

Figure 4 Direct Investment Bank Donations 2001 - 2010 (Excluding the 2010 General Election)

While large notable investment banks do not directly donate to political parties, many smaller investment firms have given prolifically, with the Global Financial Crisis only increasing their propensity to donate. An analysis of donations from purely investment firms, including private equity firms and excluding property managers, reveals that investment firms gave £1,179,000 in political donations from July 2007 to July 2011– overwhelmingly to the Conservative Party, excluding donations made during the 2010 general election campaign. Pre-crisis donations from July 2004 to July 2007 amount to close to £860,000 or seventy six per cent of post-crisis donations (UK Electoral Commision 2011). Given the relative decline in campaign spending during these periods, this represents a sizable escalation of donations by smaller investment firms after the financial crisis. Since the global financial crisis, the instrumental power of investment banks has only increased in this regard. Over a four year period investment firms have escalated their campaign to purchase access to politicians, and a chance to define the nature and scope of public political debate surrounding regulation and a whole host of issues.

The Growing Industry of Lobbyists

> "*Parliament (must lead) in resisting some of the excessive lobbying which will no doubt rain down on your heads while this (regulation) is being debated*"
>
> – **Mervyn King**, Governor of the Bank of England (Allen 2010)

While monetary donations to political parties and individuals reflect the instrumental power of investment banks, these donations serve in a manner, as an introduction for investment banks to further lobby ministers, parliamentarians and even the Prime Minister. There is a significant incentive for investment banks to engage in this behaviour, often public policy can be altered privately, and lobbying gives investment banks the unique ability to define the nature of public discourse and what politicians are willing to regulate on. A recent IMF study has found a high correlation between investment banks that engage in intense lobbyist and those firms that engage in high-risk transactions (Mathiason 2010). The IMF also comments that in the United States, those banks that lobbied that government hardest were also the largest and often principal recipients of bailout funds (LaCapra 2010) (Igan, Mishra and Tressel 2010). This is consistent with the experience in the United Kingdom, wherein 'loans' made to political parties were predominantly made by The Royal Bank of Scotland, followed by HBOS and its parent company Lloyds. These banks were also the major beneficiaries of the Asset Protection Scheme as part of the 'bank bailouts' of 2009. The following section seeks to appraise the scope and level of access that investment bank lobbyists have in the United Kingdom and whether the Global Financial Crisis has affected this behaviour.

An analysis of the senior treasury officials meetings with 'interest groups' in the year prior to and immediately following the banking crisis provides significant insight into the level of lobbying that investment banks engage in, and further, how these activities have increased significantly since the financial crisis. As illustrated below, as the Global Financial Crisis becomes more apparent, lobbyists begin meeting with these key individuals regarding financial issues, on a near weekly basis. More importantly, investment banking lobbyists are afforded direct access to the Chancellor of Exchequer, the second most senior minister in Cabinet, on almost every occasion. It is important to note that on many instances, requests for information were "*withheld under section 29 (1) (a), as release of these meetings may prejudice the economic interests of the UK*". (Her Majesty's Treasury 2011) (HM Treasury 2010) (HM Treasury 2010) (HM Treasury 2009) (HM Treasury 2011). This includes the number and subject of any meeting with lobbyists over this period. What is apparent from the data available though, is that since the Global Financial Crisis investment bank lobbyists have stepped up a campaign to influence senior government officials, their instrumental power is evident in that these individuals have increasingly received and entertained the industry's representatives.

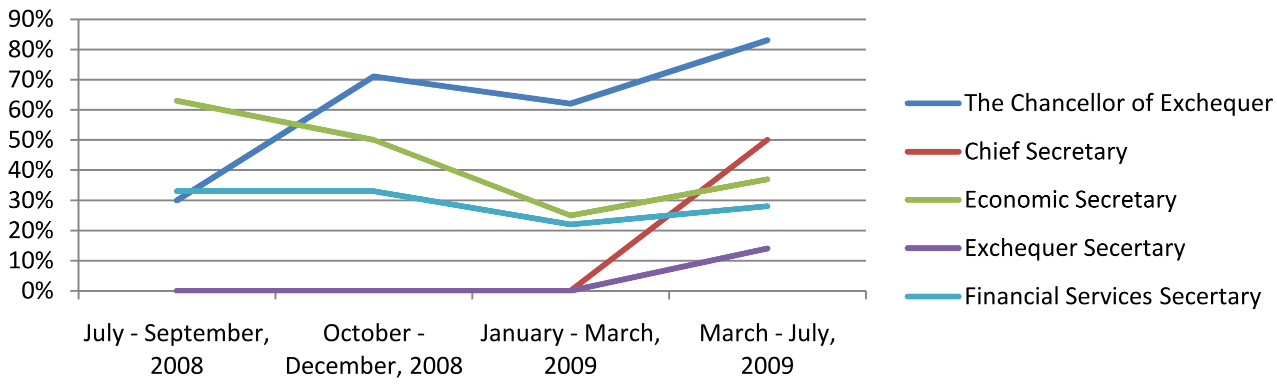

Figure 5 Investment Bank Lobbyists as a Percentage of All Interest Groups Meeting the Relevant Official

An important element of this lobbying is the recruitment of high-profile party and public officials to spearhead lobbying efforts. While freedom of information requests about the exact levels of crossover between these two groups cannot be granted on privacy grounds, several high profile cases illustrate this dynamic. Most prominently featured is Prime Minister Gordon Brown's spokesperson Simon Lewis's decision to join major industry lobby the Association of Financial Markets (Treanor 2010) as well as Howell James, Sumatra Prasad, Dominic Morris all senior public servants poached as lobbyists by Barclays amongst many more (Spinwatch 2011)*(see appendix d for list).* Some industry leaders have also so far been invited to the private residence of Prime Minister David Cameron, an honour usually reserved for foreign dignitaries, elected officials or media personalities (Prime Minister's Office 2010). All this is part of a more concerted approach by investment banks to alter the course of public policy using privileged access to politicians and decision makers, to this end, according to the Chartered Institute of Public Relations, the premier body for lobbyists in the United Kingdom, at least seventeen large investment banks engage more than twenty-four lobbyists firms to lobby government on their behalf. It should be noted that these reflect self-reported lobbyists, with seventy-five per cent of the United Kingdom's estimated fourteen thousand lobbyists opting not to disclose their clients and activities (UK Public Affairs Council, CIPR 2011).

Numerous accounts by industry and government sources attest to this ramping up of lobbying in anticipation of new regulation or adverse reports findings in the wake of the financial crisis. Since the crisis, both the Confederation of British Industry as well as the British Bankers Association that together form the peak lobbying bodies of investment banks and bankers, have both claimed to have “stepped up” their efforts in anticipation of new regulation (Weir 2011). Interviews with Angela Knight, Head of the Banker’s Association as well as John Cridland, Head of the Confederation of British Industry reveal that there is at least a co-ordinated and concerted effort by the industry to privately shape the nature of regulative policy. Anonymous sources within the Bank of England also comment that during such meetings with lobbyist, representatives from investment bank HSBC threatened to quit the United Kingdom should the government regulate the investment banking sector, a claim denied by the bank itself (Neate 2011). These claims are reinforced by senior government ministers claiming “they’ve (the investment bank lobbyist have) been bending my ear like mad” (Jenkins 2011) with Business Secretary Vince Cable claiming this intense lobbying may come to undermine attempts to regulate the industry (Mulholland and Quin 2011) (Spinwatch 2011, 8).

What is revealed from the meeting logs of government officials, the revolving door between political staff and investment banks and from the accounts of senior lobbyists and politicians, is that since the Global Financial Crisis, the British investment banks have utilised their privileged access to policy makers to privately make their case. Often meeting with the most senior of government officials, lobbyists from investment banks exert a great level of instrumental power in attempting to influence legislation and regulative outcomes. The aforementioned data is only the tip of the ice berg, with freedom of information releases being currently subject to government censorship and the lobbyist registrar being a voluntary option that the vast majority of firms do not adhere to.

Concluding Statements

Since the Global Financial Crisis, investment banks have attempted to increasingly influence the political process through donations and affect change through the use of lobbyists. In the 2010 election it is clear that investment banks, their allies and proxies stepped up their sizable financial contributions to the winning Conservative Party in an attempt to influence policy makers. This is also evident in the increase in lobbyist activities, with lobbyists gaining and utilising access to some of the highest ranked officials in the United Kingdom. Further, in reaction to the events of the Global Financial Crisis, the Financial Services Authority has attempted to assert its regulatory powers as well as increase its technical capabilities, so it may regulate independently of the instrumental power of investment banks. This is in response, however, to the strong influence investment banks have had over the course and nature of regulatory activities.

Chapter 5: The Discursive Power of Investment Banking

As Fuchs (2007) argues, discursive power is the capacity of business to influence societal norms, ideas and discussion toward favourable ends. It is the ability to legitimise the power and activities of business, in this case Britain's investment banks, in a manner that is pre-emptive, persuasive and all-encompassing. The following chapter will dissect the nature of investment bank's discursive power in the United Kingdom and assess, through the analysis of public discourse, how the discursive presence of investment banks has evolved since the Global Financial Crisis. This chapter will first look at the attempts by investment banks to influence public discussion and reinforce their legitimacy since the financial meltdown of 2007. Then, through the analysis select speeches by senior government officials, it will seek to address the nature of government discourse regarding investment banks. Finally, to understand the overall changes in public discourse, key newspapers and public polling information will be analysed to better comprehend the changing character of investment bank's perceived legitimacy within British society. In this manner, through the examination business, government societal discourse, one can arrive at a holistic depiction of the change in investment bank's discursive power over this period.

'Other Voices': Investment Banks Shaping Discourse

Since the Global Financial Crisis, Britain's investment banks have attempted to exercise influence over the nature and course of public discourse. This has manifested itself in different ways, a prominent example of investment banks discursive power is, as Fuchs describes it, the industry adopting 'other voices' such as independent organisations to shape public discussion. In addition to this and perhaps in response to a changing discursive environment, investment banks have often attempted to reinforce the belief that they are highly mobile and cannot be regulated, while in fact this is not true, as explored earlier in *Chapter 3: The Structural Power of Investment Banks – Bank Mobility and Flight*. Through the analysis of these aspects of investment bank's discursive power, one can better understand the campaign waged by investment banks to shape public discourse.

In 2008 'TheCityUK' became the premier of those 'other voices' employed by investment banks to shape discourse through the merger of the two largest industry lobby groups[7], forming an organisation with the stated goal of "*promoting UK financial services at home and overseas and playing an active role in the regulatory and trade policy debate*" (TheCityUK 2009) and the unofficial power and task of co-ordinating an array of industry lobby groups (Masters 2009). A membership based organisation funded by the financial sector, TheCityUK's steering committee and leadership are dominated by prominent investment banks – the Chairman of its Board of Directors is also the Chairman of Citi Group, the Chairman of its Advisory Group is the Chairman of Lloyds (*see appendix e for list of Board of Directors, Advisory Council, and their respective professional positions)*. Therefore analysing the publications and research produced by this group reveals how investment banks are attempting to influence discourse in Britain using a self-described "*independent and non-partisan*" organisation as a collective mouthpiece.

From January 2010 to September 2011, TheCityUK has published sixty two articles and thirty-eight research reports. These publications share a common unifying characteristic in that they present information that portrays the positive impacts of the financial services sector and in particular, investment banks. These include reports outlining the contribution

[7] The merger of International Financial Services London (also known as 'The Invisibles') and The Financial Sector Advisory Board

of investment banks toward building carbon markets or generating employment and export revenue for the United Kingdom. These reports are often coupled with commentary condemning concepts such as a transaction tax as “especially damaging” for London or “encouraging government to engage more widely with financial firms” in formulating regulation. Newspapers have been quick to broadcast TheCityUK’s message by mentioning or referencing the organisation two hundred and forty three times since its inception in 2008. Through the production of favourable and processed data TheCityUK has attempted to influence public discourse. A representative example of this dynamic is the publication of employment figures showing an increase in recruiting. The figures produced by TheCityUK were quickly reproduced and referenced by the four major newspapers printing headlines such as “financial sector recovery” (The Daily Telegraph 2010) and “10,000 new jobs” (The Times 2010) (The Independent 2010) (The Sun 2010), after which the report garnered mentions speeches by the Chancellor and Shadow Chancellor of Exchequer (Balls 2011) (Osbourne 2010). In this manner, under the guise of an ‘independent organisation’ and utilising a media willing to republish research and articles, investment banks attempt to exercise discursive power to shift the nature of public debate.

TheCityUK further produces a range of videos as well as graphics with high production values to emphasise the positive aspects of investment banks in public discourse. In the video ‘Facts about the UK Financial Services’ released on its website and other social networking sites in March 2009, TheCityUK seeks emphasises the structural importance of investment banks to Britain’s economy. In a similar release, the organisation published region specific maps to breakdown employment generated by the industry across the United Kingdom. These videos, graphics and other illustrations are disseminated over the internet but also at events, conferences, forums and panel discussions organised by TheCityUK across the United Kingdom. Since 2009 TheCityUK has organised some nighty nine of these events, timing them to coincide with important political conferences or to be televised as a public discussion on the future of regulation. By organising these events during periods of high exposure such as during the 2010 General Election, and inviting prominent politicians and academics, TheCityUK seeks to frame public debate and buttress the industry's discursive power.

Flight not Fight: Reinforcing the Myth of the Powerless State

A major strategy of investment banks to influence public discourse has been the routine announcement of plans to leave London and quit the United Kingdom altogether due to changing regulation. As discussed in *Chapter 3* it is highly unlikely that many of the larger investment banks do not have the ability to make such a drastic change, nor would it be justified economically even with new regulation in the United Kingdom. To date, while three of the 'big four' banks, Barclays, HSBC and Lloyds have announced plans to leave London in the past three years and speculated publically on leaving, none of the 'big four' banks have moved (Finch 2011).

Rather, when Barclays and other leading financial institutions announce that they may leave to New York (Reuters 2010) or Hong Kong (The Daily Telegraph 2011) in response to unfavourable public discourse "calling for the breakup of big banks" (The Guardian 2010), it is aimed toward reminding the public of the economic importance of these institutions and re-centre public discourse from the extremes of anti-banker sentiment. This tactic has had a level of success, with the government's review of the banking industry, the Vicker Report, recommending to not divide investment banks so as to "spike the guns of banks threatening to leave London" (Clark and Finch 2011). Public discourse is altered when the media tends to echo the threats of the banks, without a real assessment of their merits. This is evident in numerous articles published by newspapers such as the Financial Times, Bloomberg, the Guardian, The Times, The Daily Telegraph and The Independent that tend to publish articles making statements such as "To Leave or not to leave" and simply republishing the statements made by senior bankers (The Financial Times 2010) (Bloomberg 2010) (The Guardian 2010) (The Times 2010) (The Independent 2011).

The hollowness of these threats is illustrated in the fact that Deutsche Bank has often speculated in German newspapers over a prospective move to London (The London Evening Post 2010), for better regulatory conditions in the United Kingdom that Britain's investment banks are so ready to leave. These announcements are a rather an attempt by Britain's investment banks to favourably influence discourse and reframe public debate including the possibility of the investment banks leaving London. In many regards this is an act of desperation when faced with an increasingly negative discursive environment that will be discussed further in this chapter.

Government Talks to the Banks – Discursive Engagement by Politicians and Regulators

> *"Given the past year, any occasion where a Member of Parliament addresses a room of bankers is unlikely to win a popularity contest among the general public"*
>
> - Chancellor of Exchequer Alistair Downing, 2009

Since 1867 the Chancellor of the Exchequer and other senior government officials have taken the opportunity to address the Mansion House Dinner, an annual event hosted by the Lord Mayor of London to honour Britain's Bankers and Merchants. Traditionally these speeches serve a similar purpose to the State of the Union in the United States– wherein leading political authorities may brief the dinner and the public on economic issues and outline future policy (Major 1990). As Fuchs (2007), Hojanki and Kimball argue (Kimball and Hojnacki 1998), the analysis of discourse provides insight into the norms and values that come to shape decision making, and as Blommaert argues (Blommaert 2006), critical discourse analysis is a crucial tool in dissecting power relations. Principally what the following section seeks to appreciate is how this aspect of discourse has evolved since the Global Financial Crisis. Through analysing those speeches by the Chancellor of Exchequer and the Governor of the Bank of England made from 2006 to 2011, one can sense the level of investment banks perceived legitimacy in the eyes of the country's highest ranking public officials.

As the speeches to the Mansion House Dinner are both annual and an opportunity to outline government policy, it serves as an easily comparable summation of government rhetoric from year to year. While the individual in the position has changed thrice, from Gordon Brown to Alistair Darling in 2008, and to Conservative George Osbourne in 2010, the Chancellor's House speech emblemises governments, rather than the individual's, perceptions of legitimacy of the banking sector. As mentioned in earlier sections, 2006 – 2007 was a period of unprecedented prosperity for investment banks, and this is reflected in the Chancellor's speeches for these years, his address serving more as a congratulatory message and a re-affirmation of the government's dedication to the free-market. The Chancellor is also careful to stress from 2006 into 2008, the structural importance of investment banks to the London economy, guaranteeing its "global pre-eminence". In this manner by emphasising the banks economic importance, he serves to reinforce their legitimacy, characterising them as the standard bearer of British industry out-competing European competitors. From 2009 onwards this section completely disappears as the Chancellor acknowledges that "the costs of supporting the financial system has inevitably pushed up deficits" in contrast to his 2007 proclamation of a "new golden age for the City of London" brought on by the industry.

Polling information, which will be discussed in further detail later (YouGov 2011), indicates public opinion turned against investment banks during the crisis, this is acknowledged by the Chancellor in 2009 with;

> "*it is traditional…to compliment the UK's financial services sector…there may be some who think, given the role of some banks in the global economic turmoil that this tradition should be broken tonight, I intend to keep to the tradition"*

This statement emblemises the changing nature of the Chancellor's speeches, as it increasingly reflects broader discursive shifts in government rhetoric. While the speeches in 2006 and 2007 were broadly positive, with statements like "the twenty first century…is made for Britain" due to "a predictable and light tough regulatory environment" vastly outnumbering more negative statements by almost eight times. Likewise, by the time of the 2010 and 2011 speeches, the Chancellor's commonly issues statements such as "the British dilemma will remain so long as taxpayers are first on the hook if things go wrong (for investment banks" or commenting that when "a system of regulation fails so spectacularly… (it is) revealed just how ill-prepared they (the banks) were to withstand losses".

At a holistic level the Chancellor's speeches change tract from an opportunity for "bankers and ministers (to) come together to celebrate London's strengths and achievements" and reinforce the importance of regulatory stability, a phrase mentioned over a dozen times in both the 2006 and 2007 speeches, to one calling for a "change in culture", to promote "greater transparency and accounting standards". This is within a discursive context in 2011 of government officials proposing "betters systems (of regulation)" and a wholesale reappraisal of "what is the right culture of regulation" as opposed to reinforcing the status quo through pressing the importance of 'stability' as seen in the pre-crisis era. The Chancellor's speeches reflect a changing discursive approach on the part of government toward investment banking that is clearly more critical of banking practices and the regulatory regime that allowed them to emerge.

Similarly the speeches made by Bank of England Governor Mervyn King reflect a shift in the discursive engagement of the government's largest regulator with investment banks over the same period. The legitimacy of investment banks, in their current form, is questioned by the Governor as he transitions from the narrative of the 'powerless state' to one that is the guardian of the British economy. This shift is similar to that seen by the Chancellor of Exchequer, though the position of the Governor does not shift hands during this period, reinforcing the earlier statement that the particular individual is largely irrelevant for the purposes of this analysis.

The 2006 speech is the most indicative of this, with the Governor stating "excessive regulation makes life difficult for us all", and that the government's role was to ensure a stable set of rules within which the markets can operate. This endorsement of the 'light touch' regulation doctrine is more indicative of a wider discursive trend that is to set imaginary 'limits' to government activity. As his future speeches state "government can't save every job" and the year before that, "government can't save every bank". This principle is summed in the statement “to their credit, business people and politicians have not resisted changes to the structure of the British economy”, delegitimising government intervention whilst legitimising the growth of the investment banking sector as a natural market process that should not be stemmed but rather endorsed.

By the onset of 2008 the Governor there is an noticeable shift in the character of speeches with the Governor reciting Robert Frost poem stating *“some say the world will end in fire, some say in ice, but whichever it is, it won’t be nice”* that is explained more exhaustively with “that non-inflationary consistently expansionary decade…has drawn to a close”. Notably – the Governor acknowledges the ‘crisis’ as a ‘crisis’ a year before the Chancellor does, however, characterising the financial crisis as a produce of a failure to “assess and price risk in the financial sector” though more attributable to the actions of American banks as well as rising energy and good prices. This pales in comparison to the criticisms levied in following years, with the Governor condemning the existence of ‘too big-to fail’ investment banks as “sitting oddly with a market economy” and further stating that “some banks (are a) worse credit risk than some of their customers”. Where once the Governor celebrated growth of the industry in 2006, stating “few could have imagined how far its domain would extend…no longer a single Square Mile but a banker’s dozen” to his solemn 2009 statement, “the financial sector became too big”. These comments reflect a discursive repudiation of the previous joyful government language in discussing the growth and successes of investment banking.

The above mentioned speeches by the Chancellor of Exchequer and Governor of the Bank of England are utilised annually to outline the policies of government and the regulator, the tone and character of the rhetoric used reflects the discourse being disseminated by some of the most senior officials in government. As these speeches are often drafted from government policy and reflective of wider policy goals, they are emblematic of wider official government stances toward investment banks. From 2006 to 2011, the discourse engaged in those speeches changes due to the crisis. The language of confidence in investment banks, the need for stability in regulation and celebration of banking achievements dissipates in favour of acknowledging a crisis in banking and regulatory culture. This is a significant aspect of the overall discursive struggle for legitimacy that investment banks engage in over this period.

In Society: Public Discourse and Perceptions of Legitimacy

The character of public discourse surrounding investment bank's activities and the perception of legitimacy amongst the general public are integral in defining the overall discursive position of the sector. The following section will analyse public discourse in the form of newspapers, and public opinion polling to better understand investment banks and their perceived legitimacy, so as to determine how this form of power has altered since the Global Financial Crisis.

In Society: Newspaper Representations of Investment Banks

An integral part of Britain's civil society is its newspapers that are a trusted source of news and opinion by certain segments of society. The most common format of serious news is the daily broadsheet paper that cumulatively have a circulation of ten million copies a day amounting to one in five British adults, as such, these papers form a significant share of public discourse in the country on a wide range of issues. Three of the largest non-tabloid daily papers are 'The Daily Telegraph', 'The Times' and 'The Guardian', representing a daily readership of four million three hundred thousand individuals, with each paper having relatively equal readerships (AC Research 2011).

These audiences however tend to differ politically as do the paper's general persuasion, 'The Daily Telegraph' having a readership that votes overwhelmingly conservative, 'The Times' having a readership reflective of the electorate at large and 'The Guardian' having an overwhelmingly progressive audience[8] (IPOS Mori 2010). Through the analysis of articles published by these papers from 2006 to 2010, this section will outline the change in discourse regarding investment banks over this period. What analysis of these newspapers indicates is that from 2006 – 2010 there was a major shift in public discourse toward a tougher more critical stance toward investment banks, despite aforesaid attempts by the investment banks to manipulate the media and re-frame public discourse.

From studying all reporting on investment banks by these three major papers, two years prior to the crisis (2006), the year of the crisis (2008) and two years after the crisis (2010), this research reveals the expected trend that discourse has come to turn quickly against the industry. Excluding purely factual or neutral reporting, this analysis separates five hundred and seventy seven articles by the aforementioned papers into negative and positive articles based on the tone of the article, its subject matters and whether or not criticisms are levied at the investment banking sector and its holistic legitimacy. What this study demonstrates and as illustrated in the following chart is that as expected, the number of negative articles relating to investment banks rose dramatically during the global financial crisis, regardless of the political leanings of the paper itself;

[8] By voting intervention, The Daily Telegraph (61% Con, 15% Lab, 15% L-Dem) The Guardian (5% Con, 44% Lab, 37% L-Dem) The Times (40% Con, 25% Lab, 29% L-Dem)

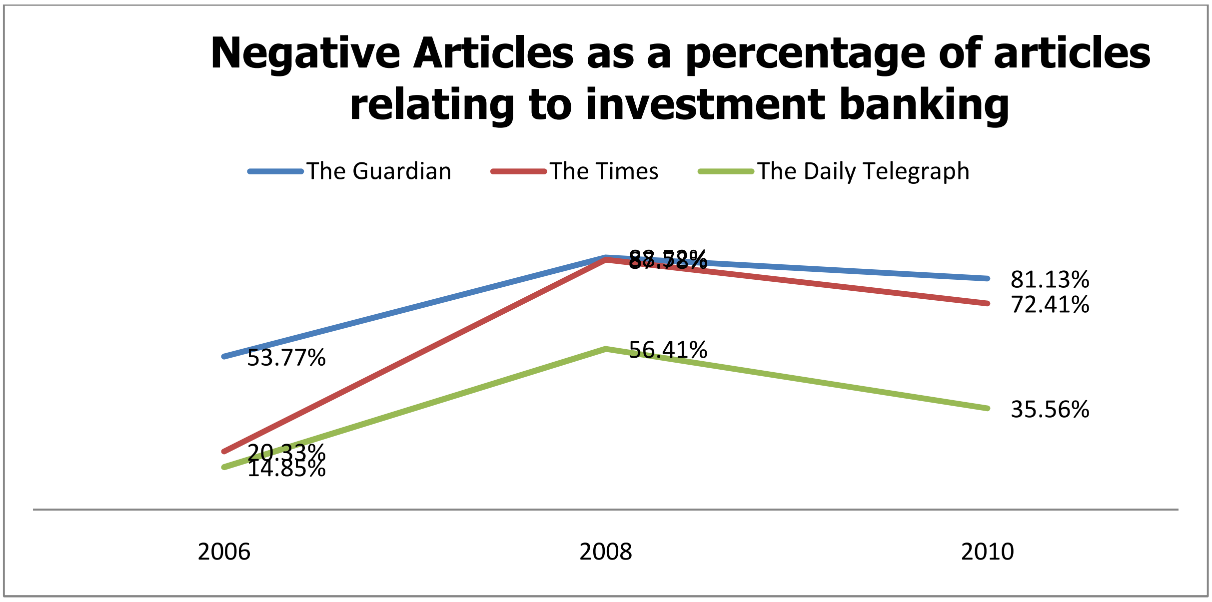

Figure 6. Reporting by Newspapers Relating to Investment Banking

Notably the progressive leaning The Guardian begins from a higher baseline and rising to close to ninety per cent negative and maintains that level until 2010, mainstream The Times sees a larger spike and maintains a similar level high level. The Daily Telegraph's highest point does not match the other two papers and the decline in negative reporting two years from the financial crisis. Regardless the Global Financial Crisis saw newspapers of all political persuasions and those traditionally friendly toward the sector take a far more critical tone toward Britain's investment banks. Most notably there is no significant increase in the number of articles on investment banks during the Global Financial Crisis, suggesting that the discursive struggle is over existing print space in newspapers – a struggle which saw a significant reduction in investment banks discursive power as the major progressive and mainstream newspapers, and to a lesser extent the conservative paper of repute, turned against the sector.

The above said shift in discourse can be understood in greater depth by analysing the tone and content of articles published during the 2006 – 2010 period. As the crisis began in

September and the ‘bonus season’ begins in this period, the September to December period poses the most attractive sample of months within which to analyse articles in 2008, as a representation of crisis year report, and the same period in 2006 and 2010 as representative of pre and post crisis discourse by the three major newspapers. This section of serves to explain, illustrate and elaborate on earlier finding of a major discursive shift against investment banks over this period and characterise the changes in newspaper’s discourse.

In the left-leaning Guardian there is a significant level of negative reporting regarding investment banks in September – December 2006. The Guardian levels several criticisms at investment banks pertaining to the treatment of minorities, women, union disputes as well as the now infamous ‘bonus culture’. Most notable is The Guardian’s blistering attacks on hiring policies within investment banks in which Guardian reporters allege “women remain an exotic choice of colleague for the middle-class white men” (Hangreaves 2006) in the sector and give light to the low levels of senior female executives in the sector. These same criticisms of the investment banks were not echoed by the other two major papers in the same period. With the advent of the crisis and afterwards, the Guardian refocuses its attention on the investment banks abuse “of the public purse” (The Guardian 2010) while also criticising bonuses and salaries, querying “is any man worth five million pounds?” (The Guardian 2008) while further describing some incentives as “sophisticated tax avoidance” (Bowers 2008). The Guardian poises the banks as illegitimately adversarial to British society, pitting them in contrast to the concerns of ethnic minorities, women, unions and forcing “small investors and consumers to swallow their losses”. In the words of The Guardian, investment banks are discursively designed as “more unpopular than a blood sucking vampire squid” (Wood 2010).

In contrast the conservative The Daily Telegraph constructs a very different image of investment banks and their role within British society. Articles in the September – December 2006 period echo a triumphant investment banking industry, illustrated as the standard bearer of British industry. The Daily Telegraph seems to rejoice with the sector in its successes, using terms such as 'coup in China' and outlining new profit sheets and increases in staff levels. Most notably, those few criticisms that are levied at the sector are aimed at foreign investment banks. Over this period The Daily Telegraph creates a larger-than-life image of senior bankers in its weekly 'Movers & Shakers – City Sandwich Column', outlining their earnings, lifestyles and extravagant parties in a similar manner to that of celebrities. The banks and its employees are constructed as enviable and successful, as opposed to The Guardian's approach toward the sector in these months. With the GFC, the nature of discourse changes, while investment banks are no longer idolised, The Daily Telegraph is more critical of government, regulators as well as foreign owned banks Goldman Sachs & Lehman brothers than toward British sector. By 2010, these articles quickly change to a rhetoric espousing self-control and self-regulation as the "banks need to put its own house in order" (Walter 2010) by "declining millions of pounds in bonuses" (Warmer 2010) and internally controlling risky behaviour.

What is clear is that the shifts in discursive power are not apparent at either end of the political spectrum; rather, it is a struggle over the rhetoric of the centre. While the Daily Telegraph and the Guardian in reality remain largely as supportive and critical of the investment banks throughout the crisis, it is The Times that reflects the broader British opinion that changes more irreversibly. Put simply, articles in The Times resemble The Daily Telegraph in 2006, with a celebratory attitude toward investment banks and their achievements, and end in 2010, with a level of cynicism and criticalness toward the sector that is akin to The Guardian. This is apparent in the language used in articles, with the jovial tone of early articles turning to cynicism with a sarcastic "banker boss feels your pain" in response to the Goldman Sachs' CEO forgoing a multi-million dollar bonus (Griffins 2010).

This discursive shift from the centre of the British press toward investment banks reflects a wider change in public discourse. The Global Financial Crisis saw bodies that were relatively supportive or at worst apathetic toward investment banking turn completely against the sector. This new found cynicism toward the industry was directed at a number of activities perceived as illegitimate, including the bonus culture and excessive risk taking. Despite attempts by investment banks to exercise discursive power and frame discourse after the Global Financial crisis, over this period there is a noticeable deterioration in the discursive strength of investment banks, as illustrated in print-media aspect of public discourse.

In Society: A Crisis in Confidence for Investment Banks

As Fuchs argues, the singularly most important aspect of discursive power is the creation and shaping of legitimacy. Investment banks must maintain the perception in the eyes of the public that their business model and activities are legitimate to continue to do so unrestricted by government regulation or societal censure. Discursive power lies in the ability to convince individuals of this and to shape and move discussion in a favourable manner. Polling information from a diversity of sources indicates that this aforementioned legitimacy does not exist and that in recent years, after the Global Financial Crisis, the British public has a complete lack of confidence in their investment banking institutions. In this, the attempts by investment banks to exercise discursive power clearly have not changed the situation now faced by the industry, reinforcing the evidence from politicians, newspapers and regulators that public discourse has turned firmly against investment banks due to the financial crisis.

The most recent polling by YouGov of 2,118 sampled British adults, a statistically significant and weighted selection, suggests that in April – May 2011, a wide range of investment banks principal activities were perceived to be illegitimate and should be legislated against (YouGov 2011). When asked the question “Politicians need to do more to prevent irresponsible lending” some seventy six per cent agreed, while only eight per cent disagreed. Likewise, when asked if they felt “Banks lent irresponsibly to some people before the credit crunch” a larger proportion, eight four per cent agreed, while only four per cent disagreed – that is within the margin of error for the poll itself. When asked if banks could be trusted in the future, forty-six per cent or close to half of respondents disagreed, while only one in five responded positively *(See appendix i for raw aggregate polling)*. This polling reveals that as of 2011, there is a great level of mistrust with Britain’s investment banking sector, where many of the bank’s primary activities are perceived to be illegitimate. The above said polling data reflecting shifts in public sentiment tend to be similar to the discursive shift in newspapers. While a minority of individuals continue to accept investment banks as legitimate institutions, the majority of the United Kingdom’s adult population have come to be highly critical of the bank’s activities in the post-crisis period.

A Harris-Financial Times poll of 1,347 British adults, adjusted to be demographically proportional, in January of 2010 reveals in greater detail the perception of illegitimacy, unpopularity and distrust of investment banks within British society. It is shown that Britons identified investment banks, more than any other group, as “primarily responsible” for the Global Financial Crisis (Harris-Financial Times 2010). Furthermore fifty per cent of respondents favoured the “breaking up” of investment banks perceived as too big to fail, only six per cent of respondents or one in sixteen reacted negatively to the proposition. This lack of confidence in the financial sector is reflected in the majority of major investment banks being more mistrusted than trusted by the respondent group. As the investment banks are perceived to be illegitimate, so too are the extreme earnings by the investment banks and their employees, with Britons favouring the taxation and capping of banker’s bonuses overwhelmingly in this poll and with far more conviction than supporting taxation on other high earning professions. These figures are further reinforced by similar polling by Com Res of a representative sample of 2,030 British adults in September 2011 that finds some seventy per cent of Britons feel that government should implement a swathe of new financial regulation, as they hold investment banks primarily responsible for the financial crisis (ITN 2011) *(see appendix i for formatted YouGov, Harris-Financial and ComRes-ITN poll results and method).*

Concluding Statements

While investment banking firms have attempted to exercise discursive power, public discourse has clearly shifted to be more critical of investment banks, as the general tone of government and society reflects a growing concern with the bank’s legitimacy and unpopularity. While the industry has implemented a textbook strategy of exercising discursive power, this has not been able to shape public discussion on regulation and the legitimacy of investment banking. This is reflected in the discursive shift of government, emblemised in the rhetoric of key politicians and regulators, as well as in newspapers - a mainstay of public discourse. The tendency toward being more critical toward investment banks is one that is demonstrable and the implications for the bank’s discursive strength are clear. These trends correlate strongly with the flagging poll numbers of investment banks that reflect a people that have a negative view toward investment banks, their activities and feel that government should regulate. This is the ultimate indication that the discursive strength of investment banks has become depleted since the Global Financial Crisis.

Chapter 6: Conclusion

Lifting the Shroud on Business Power and Government

This thesis sought to deconstruct the power relationship between investment banks and government, not prior to the Global Financial Crisis that is so often discussed, but rather to understand whether and how this relationship has changed in the aftermath of the crisis. As such, by analysing the shifts in the structural, instrumental and discursive elements of this power, and based on a wide array of qualitative and quantitative data; a few assertions can be made regarding the nature of the power relationship between the United Kingdom's government and investment banks that will be outlined herein.

This thesis concludes that the different elements of business power have undergone transformations since the financial crisis. The evidence brought forward in this thesis indicates that the structural significance of British investment banks have increased since the 2007 meltdown, contrary to reports by many leading newspapers and academics. While in absolute terms there have been reductions in the economic prowess of these institutions, relative to the rest of the British economy, investment banks have seen their share of tax revenue, export earnings, labour force and other key indicators remain steady or increase. Schemes to 'bailout' the banks have further added to the structural power of the industry, by increasing government's exposure to the long-term performance of banking assets.

Likewise, in depth analysis of the instrumental power of Britain's investment banks has yielded interesting findings. Particularly government regulators have been the subject of some reform since the Global Financial Crisis, with the Britain's primary regulatory agency taking observable steps toward improving its ability to regulate independently of the resources lent to it from investment banks. This has had mixed results, while the Authority has dramatically increased fines and some aspects of enforcement, the 'soft touch culture' it is infamous for is testament to the instrumental power of the banking industry. What is clear is that investment banks have, since the financial crisis, launched a concerted campaign to influence policy-makers through political donations and intense lobbying. Since the financial meltdown, 'loans' offered to political parties and direct contributions have increased while industry lobbyists are afforded unmatched access to many senior cabinet members in a bid to exert private influence over the decision making process.

From the aforementioned results, it is likely that the structural and instrumental elements of investment banking power have grown since the Global Financial Crisis. Discursively however, it would appear that investment banks have faced a crisis of legitimacy in the eyes of government and society. While the sector continually engages in a campaign of public relations in an attempt to mend their damaged reputation and shape the discursive environment, polling data indicates that investment banking is increasingly perceived as illegitimate and undesirable. Further, it is revealed that Britons blame the financial meltdown on these institutions more than any other. This is reflected by an ever more critical press; with the politically centrist paper 'The Times', matching 'The Guardians' ordinarily critical and negative approach toward investment banks, indicating a discursive shift in the centre of society. Likewise, senior government regulators and politicians reflect these discursive changes in their key-note annual addresses to the Mansion House Dinner, with the occasion turning from a congratulatory message to Britain's investment bankers into a lambasting of the banker's behaviour.

In deconstructing the power relationship between the United Kingdom's government and investment banks, it is fair to conclude that this relationship has changed as a result of the crisis. Elements of this power, particularly perceptions of legitimacy, have decreased, while the structural and instrumental components of this power have relatively increased compared to the pre-crisis period. In analysing these separate elements of business power, one can better understand the transformation of relations with government that have occurred as a result of the financial crisis.

Practical Implications and Future Research

In recent times the British government has become a process of reviewing its system of financial regulation toward the eventual ends of preventing future financial meltdowns. Many of these regulatory reforms touch on issues discussed in this thesis, such as the relationship between investment banks and government regulators, or the role of political donations in shaping regulatory outcomes. This public discussion seeks to readdress the role of investment banks in the British economy and whether financial services can truly form the engines of economic growth. While this paper cannot claim to predict or completely explain future government action based its analysis of investment banking power, it can serve to assist in explaining the nature of future regulatory reforms or a lack thereof.

While the regulatory reforms emanating from the Global Financial Crisis, and the interaction between government, business and society in shaping those regulations would pose an interesting opportunity for further research, there are also other prospects to build upon the research outlined in this paper. This thesis addresses the relationship between government and investment banks in one of the two major financial centres of the world, with the United States being the other major locality that is most often associated with the financial crisis. Future research could possibly analyse the change in power relations between the U.S government and its investment banks, and compare those findings with that of this thesis. There are a myriad of avenues for further research that may build upon or utilise the findings in this paper to advance academic discussion and understandings of government, business and power.

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Appendix Contents

Appendix a

Mortgages as a Percentage of UK GDP

Figure 1

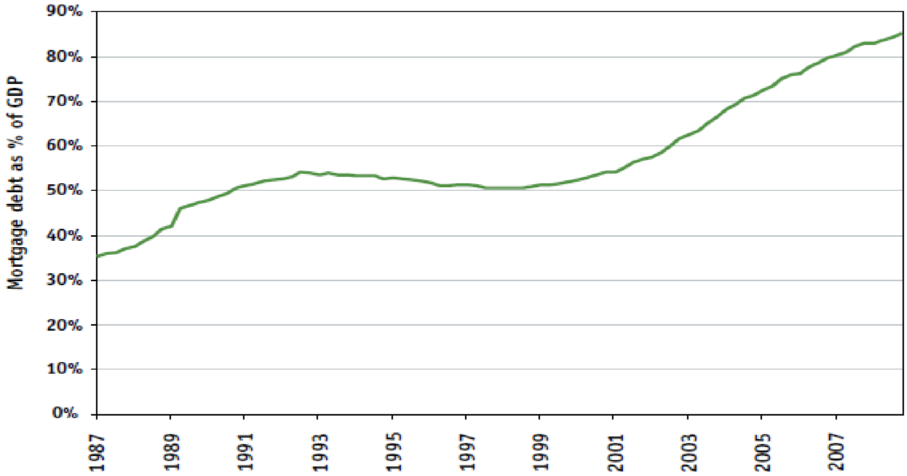
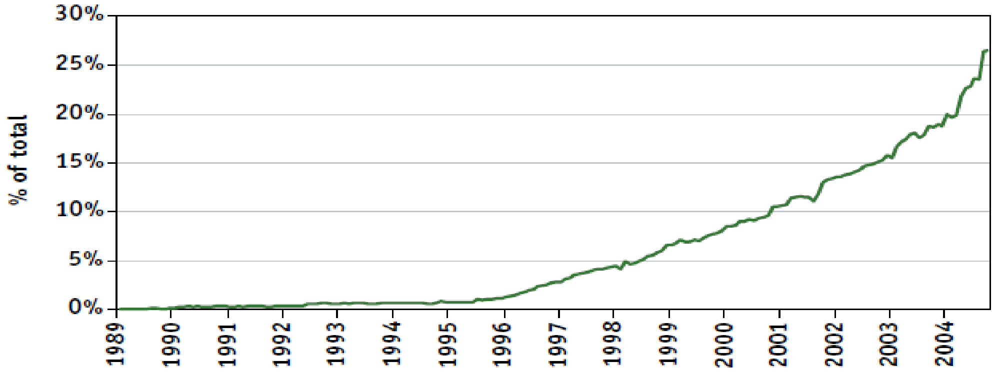


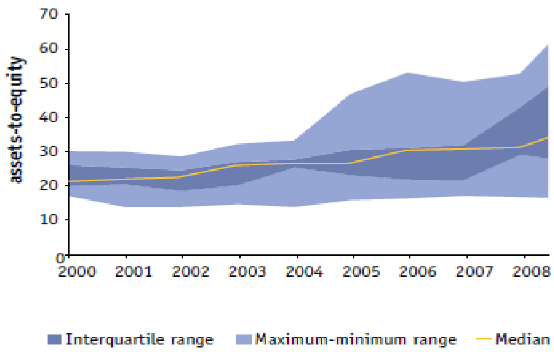
Figure 2

share of securitised loans in UK mortgage lending



Major UK banks' leverage

Figure 3



Sourced from the Turner Review, the Bank of England and HM Treasury, the above graphs reveal the trends by investment banks to engage in high risk activity, especially regarding the mortgage market. Investment banks are shown to increasingly leverage less, as displayed in Figure 3, more banks lent more capital with less liquid assets to absorb losses, leading to the highly precarious solvency of investment firms.

(Turner, Adair. *The Turner Review.* Discussion Paper, London: Financial Services Authority, 2009.)

Appendix b

Loans made by investment banks to UK political parties from 2002 - 2011

Loans (transactions)

The Electoral Commission

EC reference	Entity name	Entity type	Total amount	Status	Start date	Rec'd by (AU)	Lender name	Lender status	Company reg. no.	Postcode	Transaction type	Loan reference no.	Rate	Amount converted	End/Review date	Date repaid	Date EC last notified	Compliance breach
AL0042335	Labour Party	Political Party	£10,000.00	Outstanding	01/06/2011	Eltham CLP	Unity Trust Bank Plc, 9 Brindley Place	Company	01713124	B1 2HB	Authorised Participant Loan		Base + 2%	£0.00	31/05/2021		28/07/2011	None
AL0042360	Scottish National Party (SNP)	Political Party	£200,000.00	Outstanding	13/04/2011	Central party	Royal Bank of Scotland, 24-25 St Andrew Square	Company	SC090312	EH2 2YB	Authorised Participant Loan		5% per annum above base	£0.00	01/11/2014		29/07/2011	None
AL0036399	Labour Party	Political Party	£70,000.00	Outstanding	28/05/2010	Rhondda CLP	Unity Trust Bank PLC, Nine Brindley Place	Company	01713124	B1 2HB	Authorised Participant Loan		Variable 2% above base rate	£0.00	28/04/2010		30/06/2010	None
AL0036300	Conservative and Unionist Party	Political Party	£50,000.00	Outstanding	14/05/2010	Berwickshire, Roxburgh & Selkirk	Royal Bank of Scotland, 6 The Square	Company	SC090312	TD5 7HG	Authorised Participant Loan		Fixed 8.5%	£0.00			11/04/2011	None
AL0036293	Conservative and Unionist Party	Political Party	£25,000.00	Outstanding	10/04/2010	Yeovil	Lloyds TSB Bank PLC, 25 Gresham Street	Company	00002065	EC2V 7HN	Authorised Participant Loan		Base +3%	£0.00			11/04/2011	Late
AL0042333	Conservative and Unionist Party	Political Party	£60,000.00	Outstanding	01/04/2010	Taunton Deane	National Westminster Bank Plc, 14 Market Place	Company	00929027	DN20 8ES	Authorised Participant Loan		Base +3%	£0.00			28/07/2011	None
AL0037061	Ms Lisa Eve Nandy	Regulated Donee	£3,000.00	Outstanding	05/03/2010	Central party	The Royal Bank of Scotland, 36 ST ANDREW SQUARE	Company	SC090312	EH2 2YB	Authorised Participant Loan		0	£0.00			07/06/2010	None
AL0036455	Liberal Democrats	Political Party	£2,000.00	Outstanding	01/03/2010	Liberal Youth	Royal Bank of Scotland, 34 St Andrews Square	Company	SC090312	EH2 2XB	Authorised Participant Loan		12.50%	£0.00	31/10/2011		31/03/2010	None
AL0036679	Labour Party	Political Party	£2,000,000.00	Ended	11/11/2009	Central party	Co-operative Bank, PO Box 101	Company	00990937	M60 4EP	Authorised Participant Loan		5% above bank base rate	£0.00	31/12/2009	31/12/2009	31/12/2009	None
AL0036447	Labour Party	Political Party	£2,000,000.00	Ended	28/09/2009	Central party	The Co-operative Bank plc, PO Box 101	Company	00990937	M60 4EP	Authorised Participant Loan		Base + 3%	£0.00	31/10/2010	23/12/2009	30/09/2009	None
AL0036362	Conservative and Unionist Party	Political Party	£10,000.00	Outstanding	01/08/2009	Rutland & Melton	HSBC Bank, 17 High St	Company	00014259	LE13 0TY	Authorised Participant Loan		Fixed 4%	£0.00	31/07/2010		30/09/2009	None

The Electoral Commission

Loans (transactions)

EC reference	Entity name	Entity type	Total amount	Status	Start date	Rec'd by (AU)	Lender name	Lender status	Company reg. no.	Postcode	Transaction type	Loan reference no.	Rate	Amount converted	End/Review date	Date repaid	Date EC last notified	Compliance breach
AL0036450	Labour Party	Political Party	£4,000.00	Outstanding	03/07/2009	Islington South and Finsbury CLP	The Co-operative Bank plc, PO Box 101	Company	00990937	M60 4EP	Authorised Participant Loan		Base +4%	£0.00	31/07/2012		30/09/2009	None
AL0036517	Liberal Democrats	Political Party	£24,000.00	Outstanding	26/02/2009	Aberdeenshire East	Clydesdale Bank PLC, 30 St Vincent Place	Company	SC001111	G1 2HL	Authorised Participant Loan		Base +3.5%	£0.00	28/02/2014		31/03/2009	None
AL0036518	Liberal Democrats	Political Party	£6,000.00	Ended	31/01/2009	Aberdeenshire East	Clydesdale Bank PLC, 30 St Vincent Place	Company	SC001111	G1 2HL	Authorised Participant Loan		Base + 4%	£0.00		31/12/2010	31/03/2009	None
AL0036357	Conservative and Unionist Party	Political Party	£10,000.00	Outstanding	19/08/2008	Rutland & Melton	HSBC Bank, 17 High street	Company	00014259	LE13 0TY	Authorised Participant Loan		Variable : Base rate +2.5%	£0.00	31/08/2009		30/09/2008	None
AL0036441	Labour Party	Political Party	£80,000.00	Outstanding	14/08/2008	Bishop Auckland CLP	Unity Trust Bank PLC, Nine Brindley Place	Company	1713124	B1 2HB	Authorised Participant Loan		Bank base rate plus 3%	£0.00	13/08/2028		30/09/2008	None
AL0036554	Scottish National Party (SNP)	Political Party	£13,160.00	Outstanding	24/04/2008	Moray	Royal Bank of Scotland, 12 Golden Square	Company	SC090312	AB10 1DU	Authorised Participant Loan		2.5% above base	£0.00	31/12/2018		30/06/2008	Late
AL0036356	Conservative and Unionist Party	Political Party	£5,000.00	Outstanding	01/04/2008	Berwickshire, Roxburgh & Selkirk	Royal Bank of Scotland, The Square	Company	SC090312	TD5 7HG	Authorised Participant Loan		Variable : Base rate +3%	£0.00			30/06/2008	Late
AL0036752	Plaid Cymru - Party of Wales [The]	Political Party	£56,250.00	Ended	21/02/2008	Central party	HSBC Bank Plc, Cardiff Bay Commercial Centre	Company	00014259	CF10 5NA	Authorised Participant Loan		HSBC base + 2.1%	£0.00	28/07/2008	28/07/2008	31/03/2008	None
AL0036736	Liberal Democrats	Political Party	£20,000.00	Ended	16/11/2007	Central party	Clydesdale Bank PLC, 30 St Vincent Place	Company	SC001111	G1 2HL	Authorised Participant Loan		Base + 4%	£0.00	31/01/2009	30/01/2009	11/04/2011	None
AL0036553	Scottish National Party (SNP)	Political Party	£100,000.00	Outstanding	31/10/2007	North East Scotland Liaison Committee	Royal Bank of Scotland, 12 Golden Square	Company	SC090312	AB10 1DU	Authorised Participant Loan		8.00%	£0.00	31/10/2017		31/12/2007	None
AL0036667	Labour Party	Political Party	£2,000,000.00	Ended	15/10/2007	Central party	The Co-operative Bank Plc, PO Box 101	Company	00990937	M60 4EP	Authorised Participant Loan		Co-op Base + 2%	£0.00	14/03/2008	14/03/2008	11/04/2011	None
AL0036349	Conservative and Unionist Party	Political Party	£2,000.00	Outstanding	02/10/2007	Barrow & Furness	Barclays Bank PLC, Barrow in Furness	Company	01026167	ZZ0 0ZZ	Authorised Participant Loan		Base + 3%	£0.00	01/04/2019		11/04/2011	None

Loans (transactions)

The Electoral Commission

EC reference	Entity name	Entity type	Total amount	Status	Start date	Rec'd by (AU)	Lender name	Lender status	Company reg. no.	Postcode	Transaction type	Loan reference no.	Rate	Amount converted	End/Review date	Date repaid	Date EC last notified	Compliance breach
AL0036507	Liberal Democrats	Political Party	£63,500.00	Outstanding	01/10/2007	Eastbourne	Barclays Bank Plc, 54 Lombard Street	Company	01026167	EC3P 3AH	Authorised Participant Loan		8.25%	£0.00	05/12/2032		11/04/2011	None
AL0036673	Labour Party	Political Party	£2,500.00	Ended	01/10/2007	Reigate CLP	Bank of Scotland, 36 St Andrew's Square	Company	SC327000	EH2 2YB	Authorised Participant Loan		13.90%	£0.00	01/08/2008	01/08/2008	11/04/2011	Late
AL0036352	Conservative and Unionist Party	Political Party	£310,000.00	Outstanding	03/09/2007	Harrogate & Knaresborough	Yorkshire Bank, James Street	Company	00117413	HG1 1QU	Authorised Participant Loan		7.25%	£0.00	03/09/2032		11/04/2011	None
AL0036724	Liberal Democrats	Political Party	£7,000.00	Ended	04/07/2007	Central party	Royal Bank of Scotland, 34 St Andrews Square	Company	SC090312	EH2 2XB	Authorised Participant Loan		12.50%	£0.00	03/08/2007	03/08/2007	11/04/2011	None
AL0036729	Liberal Democrats	Political Party	£2,500.00	Outstanding	26/03/2007	Edinburgh South	Bank of Scotland (HBOS), The Mound	Company	SC218813	EH1 1YZ	Authorised Participant Loan		Base rate + 3%	£0.00	31/01/2008		11/04/2011	None
AL0036502	Liberal Democrats	Political Party	£5,000.00	Outstanding	26/03/2007	Edinburgh South	Bank of Scotland (HBOS), The Mound	Company	SC218813	EH1 1YZ	Authorised Participant Loan		Base rate + 3%	£0.00	31/01/2009		11/04/2011	None
AL0036539	Progressive Party [The]	Political Party	£100,000.00	Outstanding	21/03/2007	Central party	Royal Bank of Scotland, 26 St Andrews Square	Company	SC090312	EH2 2YB	Authorised Participant Loan		Base + 3%	£0.00	21/03/2008		31/03/2007	None
AL0036540	Progressive Party [The]	Political Party	£5,000.00	Outstanding	21/03/2007	Central party	Royal Bank of Scotland, 26 St Andrews Square	Company	SC090312	EH2 2YB	Authorised Participant Loan		Base + 3%	£0.00	21/03/2008		31/03/2007	None
AL0036738	Liberal Democrats	Political Party	£15,000.00	Ended	08/02/2007	Aberdeenshire East	Clydesdale Bank PLC, 30 St Vincent Place	Company	SC001111	G1 2HL	Authorised Participant Loan		Base + 4%	£0.00	31/01/2009	31/01/2009	11/04/2011	None
AL0036347	Conservative and Unionist Party	Political Party	£20,000.00	Outstanding	05/12/2006	Clwyd West	HSBC Bank, PO Box 377	Company	00014259	SA7 9YH	Authorised Participant Loan		Base +2.5%	£0.00			31/12/2006	None
AL0036433	Labour Party	Political Party	£12,000.00	Outstanding	01/12/2006	Hyndburn CLP	Unity Trust Bank Plc, 9 Brindley Place	Company	01713124	B1 2HB	Authorised Participant Loan		base + 3%	£0.00			31/12/2006	None
AL0037056	The Rt Hon Harriet Harman QC MP	Regulated Donee	£10,000.00	Ended	03/10/2006	Central party	National Westminster Bank, 57 Victoria Street	Company	00929027	SW1H 0HN	Authorised Participant Loan		14.17	£0.00		18/12/2007	17/12/2007	None

Loans (transactions)

The Electoral Commission

EC reference	Entity name	Entity type	Total amount	Status	Start date	Rec'd by (AU)	Lender name	Lender status	Company reg. no.	Postcode	Transaction type	Loan reference no.	Rate	Amount converted	End/Review date	Date repaid	Date EC last notified	Compliance breach
AL0036585	Conservative and Unionist Party	Political Party	£3,500.00	Ended	15/09/2006	Lincoln	National Westminster Bank Plc, 14 Market Place	Company	00929027	DN20 8ES	Authorised Participant Loan		base + 4%	£0.00	08/10/2008	08/10/2008	30/09/2006	None
AL0036656	Labour Party	Political Party	£1,225,000.00	Ended	07/09/2006	Central party	The Co-operative Bank Plc, PO Box 101	Company	00990937	M60 4EP	Authorised Participant Loan		Co-op rate + 2%	£0.00	23/03/2007	23/03/2007	30/09/2006	None
AL0036535	Plaid Cymru - Party of Wales [The]	Political Party	£300,000.00	Outstanding	01/09/2006	Central party	HSBC Bank, 8 Canada Square	Company	00014259	E14 5HQ	Authorised Participant Loan		HSBC Base + 1.5%	£0.00			30/09/2006	None
AL0036416	Labour Party	Political Party	£2,000.00	Outstanding	01/07/2006	Welwyn Hatfield CLP	HSBC Bank, 8 Canada Square	Company	00014259	E14 5HQ	Authorised Participant Loan		base + 2%	£0.00			30/09/2006	None
AL0036319	Conservative and Unionist Party	Political Party	£5,000.00	Outstanding	27/06/2006	Maidenhead	HSBC Bank, 35 High Street	Company	00014259	SL6 1JG	Authorised Participant Loan		Base + 2%	£0.00			30/06/2006	None
AL0036552	Scottish National Party (SNP)	Political Party	£52,950.00	Outstanding	06/06/2006	North East Scotland Liaison Committee	Royal Bank of Scotland, 12 Golden Square	Company	SC090312	AB10 1DU	Authorised Participant Loan		7.50%	£0.00	06/06/2011		30/06/2006	None
AL0036657	Labour Party	Political Party	£10,000.00	Ended	01/06/2006	Blaenau Gwent CLP	Co-operative Bank, PO Box 101	Company	00990937	M60 4EP	Authorised Participant Loan		Base + 2%	£0.00	31/07/2006	31/07/2006	31/03/2006	None
AL0036346	Conservative and Unionist Party	Political Party	£5,000.00	Outstanding	21/04/2006	Eastleigh	Barclays Bank PLC, 83 Satchell Lane	Company	01026167	SO31 4HH	Authorised Participant Loan			£0.00			30/06/2006	None
AL0036550	Scottish National Party (SNP)	Political Party	£170,000.00	Ended	10/04/2006	Central party	Royal Bank of Scotland, 36 St Andrew's Square	Company	SC090312	EH2 2YB	Authorised Participant Loan		Variable	£0.00	10/04/2011	08/04/2011	30/06/2006	None
AL0036551	Scottish National Party (SNP)	Political Party	£100,000.00	Outstanding	10/04/2006	Central party	Royal Bank of Scotland, 36 St Andrew's Square	Company	SC090312	EH2 2YB	Authorised Participant Loan		Variable	£0.00			30/06/2006	None
AL0036498	Liberal Democrats	Political Party	£7,500.00	Outstanding	06/04/2006	Newton Abbot	Barclays Bank plc, 54 Lombard Street	Company	01026167	EC3P 3AH	Authorised Participant Loan		Base rate + 4.5%	£0.00			11/04/2011	None
AL0036725	Liberal Democrats	Political Party	£2,500.00	Ended	06/04/2006	Central party	Barclays Bank Plc, 54 Lombard Street	Company	01026167	EC3P 3AH	Authorised Participant Loan		5.25%	£0.00	31/12/2006	31/12/2006	11/04/2011	None
AL0036430	Labour Party	Political Party	£21,000.00	Ended	04/04/2006	Oxford East CLP	Unity Trust Bank Plc, 9 Brindley Place	Company	01713124	B1 2HB	Authorised Participant Loan		Base + 3%	£0.00	04/04/2013	31/12/2010	30/06/2006	None

Loans (transactions)

EC reference	Entity name	Entity type	Total amount	Status	Start date	Rec'd by (AU)	Lender name	Lender status	Company reg. no.	Postcode	Transaction type	Loan reference no.	Rate	Amount converted	End/Review date	Date repaid	Date EC last notified	Compliance breach
AL0036406	Labour Party	Political Party	£20,000.00	Outstanding	08/04/2005	Islington South and Finsbury CLP	Co-operative Bank, PO Box 101	Company	00990937	M60 4EP	Authorised Participant Loan		Base + 2.5%	£0.00	08/03/2010		31/03/2006	None
AL0036350	Conservative and Unionist Party	Political Party	£80,000.00	Outstanding	02/04/2005	City of Durham	National Westminster Bank Plc, Market Place	Company	00929027	DH1 3YU	Authorised Participant Loan		Base + 3.25%	£0.00	02/04/2019		10/10/2005	None
AL0036428	Labour Party	Political Party	£95,497.00	Outstanding	01/01/2005	Gower CLP	Unity Trust Bank Plc, 9 Brindley Place	Company	01713124	B1 2HB	Authorised Participant Loan		6%	£0.00	31/12/2030		31/03/2006	None
AL0036427	Labour Party	Political Party	£17,586.00	Outstanding	26/11/2004	East Lothian CLP	Unity Trust Bank Plc, 9 Brindley Place	Company	01713124	B1 2HB	Authorised Participant Loan		Base + 2%	£0.00	26/11/2014		31/03/2006	None
AL0036321	Conservative and Unionist Party	Political Party	£85,000.00	Outstanding	06/09/2004	Rutland & Melton	National Westminster Bank Plc, 135 Bishopsgate	Company	00929027	EC2M 3UR	Authorised Participant Loan		Base + 2%	£0.00	06/09/2026		10/10/2005	None
AL0036426	Labour Party	Political Party	£10,000.00	Outstanding	06/08/2004	Kingston Upon Hull East CLP	Unity Trust Bank Plc, 9 Brindley Place	Company	01713124	B1 2HB	Authorised Participant Loan		Base + 3%	£0.00	31/08/2014		31/03/2006	None
AL0036405	Labour Party	Political Party	£152,289.00	Outstanding	01/11/2003	Bath CLP	Co-operative Bank	Company	00990937		Authorised Participant Loan		Base + 3%	£0.00	31/05/2016		31/03/2006	None
AL0036556	Scottish Socialist Party	Political Party	£63,000.00	Outstanding	27/10/2003	Central party	Royal Bank of Scotland	Company	SC090312		Authorised Participant Loan			£0.00	27/10/2013		31/03/2006	None
AL0036557	Scottish Socialist Party	Political Party	£10,000.00	Outstanding	27/10/2003	Central party	Royal Bank of Scotland	Company	SC090312		Authorised Participant Loan			£0.00	27/10/2013		31/03/2006	None
AL0036419	Labour Party	Political Party	£35,700.00	Outstanding	17/03/2003	Neath CLP	Lloyds Bank, 25 Gresham Street	Company	3695890	EC1V 7HN	Authorised Participant Loan		Base + 3%	£0.00	17/03/2018		31/03/2006	None
AL0036750	Plaid Cymru - Party of Wales [The]	Political Party	£150,000.00	Ended	05/02/2003	Central party	HSBC Bank, 8 Canada Square	Company	00014259	E14 5HQ	Authorised Participant Loan		Base + 2%	£0.00	20/12/2006	20/12/2006	31/03/2006	None
AL0036485	Liberal Democrats	Political Party	£8,424.00	Ended	02/12/2002	Truro & Falmouth	Barclays Bank Plc, 54 Lombard Street	Company	01026167	EC3P 3AH	Authorised Participant Loan		Base rate + 2%	£0.00	03/12/2012	31/12/2009	30/04/2006	None
AL0036404	Labour Party	Political Party	£47,000.00	Outstanding	20/03/2002	Carlisle CLP	Co-operative Bank, PO Box 101	Company	00990937	M60 4EP	Authorised Participant Loan		Base + 3%	£0.00	20/03/2016		31/03/2006	None
AL0036548	Scottish National Party (SNP)	Political Party	£7,500.00	Outstanding	01/01/2002	Banff and Buchan	Royal Bank of Scotland	Company	SC090312		Authorised Participant Loan			£0.00	29/04/2012		31/03/2006	None

Loans (transactions)

The Electoral Commission

EC reference	Entity name	Entity type	Total amount	Status	Start date	Rec'd by (AU)	Lender name	Lender status	Company reg. no.	Postcode	Transaction type	Loan reference no.	Rate	Amount converted	End/Review date	Date repaid	Date EC last notified	Compliance breach
AL0036320	Conservative and Unionist Party	Political Party	£100,000.00	Outstanding	21/09/2001	Preseli Pembrokeshire	National Westminster Bank Plc, 18 High Street	Company	00929027	SA61 2DE	Authorised Participant Loan		Base + 2%	£0.00			10/10/2005	None
AL0036317	Conservative and Unionist Party	Political Party	£5,000.00	Outstanding	01/08/2001	Gainsborough	National Westminster Bank Plc, 14 Market Place	Company	00929027	DN20 8ES	Authorised Participant Loan		Base + 2.5%	£0.00			10/10/2005	None
AL0036483	Liberal Democrats	Political Party	£8,000.00	Outstanding	19/04/2001	Chesterfield	Yorkshire Bank, 20 Merrion Way	Company	117413	LS2 8NZ	Authorised Participant Loan		6% ABR	£0.00	30/06/2011		30/04/2006	None
AL0036547	Scottish National Party (SNP)	Political Party	£48,393.06	Outstanding	01/03/2000	Moray	Royal Bank of Scotland, 12 Golden Square	Company	SC090312	AB10 1DU	Authorised Participant Loan			£0.00			31/03/2006	None
AL0036648	Labour Party	Political Party	£7,000.00	Ended	01/01/2000	Gosport CLP	Lloyds Bank, 25 Gresham Street	Company	3695890	EC1V 7HN	Authorised Participant Loan		Base + 4%	£0.00	01/10/2007	01/10/2007	31/03/2006	None
AL0036651	Labour Party	Political Party	£460,000.00	Ended	31/12/1999	Central party	Unity Trust Bank Plc, 9 Brindley Place	Company	01713124	B1 2HB	Authorised Participant Loan		Unity rate + 2%	£0.00	02/10/2007	02/10/2007	31/03/2006	None
AL0036652	Labour Party	Political Party	£890,000.00	Outstanding	31/12/1999	Central party	The Co-operative Bank Plc, PO Box 101	Company	00990937	M60 4EP	Authorised Participant Loan		Co-op base rate + 2%	£0.00	02/10/2007		31/03/2006	None
AL0036655	Labour Party	Political Party	£2,000,000.00	Ended	31/12/1999	Central party	Co-operative Bank, PO Box 101	Company	00990937	M60 4EP	Authorised Participant Loan		Co-op base rate + 2%	£0.00	01/01/2007	14/03/2008	31/03/2006	None
AL0036658	Labour Party	Political Party	£4,000,000.00	Ended	31/12/1999	Central party	The Co-operative Bank Plc, PO Box 101	Company	00990937	M60 4EP	Authorised Participant Loan		6.81% - 7.56%	£0.00	21/08/2006	21/08/2006	31/03/2006	None
AL0036666	Labour Party	Political Party	£2,000,000.00	Ended	31/12/1999	Central party	Unity Trust Bank, 9 Brindley Place	Company	01713124	B1 2HB	Authorised Participant Loan		6.81% - 7.56%	£0.00	21/08/2006	21/08/2006	31/03/2006	None
AL0036668	Labour Party	Political Party	£2,000.00	Ended	31/12/1999	Bath CLP	Co-operative Bank, PO Box 101	Company	00990937	M60 4EP	Authorised Participant Loan		Base + 4%	£0.00	31/03/2008	31/03/2008	31/03/2006	None
AL0036431	Labour Party	Political Party	£5,000.00	Outstanding	31/12/1999	Battersea CLP	Unity Trust Bank Plc, 9 Brindley Place	Company	01713124	B1 2HB	Authorised Participant Loan		Base + 3%	£0.00			31/03/2006	None
AL0036432	Labour Party	Political Party	£1,540,000.00	Outstanding	31/12/1999	Central party	Unity Trust Bank Plc, PO Box 101	Company	01713124	M60 4EP	Authorised Participant Loan		Co-op base rate + 2%	£0.00			31/03/2006	None
AL0036410	Labour Party	Political Party	£2,610,000.00	Outstanding	31/12/1999	Central party	Co-operative Bank, PO Box 101	Company	00990937	M60 4EP	Authorised Participant Loan		Co-op base rate + 2%	£0.00			31/03/2006	None

Loans (transactions)

The Electoral Commission

EC reference	Entity name	Entity type	Total amount	Status	Start date	Rec'd by (AU)	Lender name	Lender status	Company reg. no.	Postcode	Transaction type	Loan reference no.	Rate	Amount converted	End/Review date	Date repaid	Date EC last notified	Compliance breach
AL0036411	Labour Party	Political Party	£80,000.00	Outstanding	31/12/1999	Central party	Co-operative Bank, PO Box 101	Company	00990937	M60 4EP	Authorised Participant Loan		variable	£0.00			31/03/2006	None
AL0036412	Labour Party	Political Party	£1,000.00	Outstanding	31/12/1999	Swansea East CLP	Co-operative Bank, PO Box 101	Company	00990937	M60 4EP	Authorised Participant Loan		Co-op base rate + 2%	£0.00			31/03/2006	None
AL0036610	Conservative and Unionist Party	Political Party	£21,000.00	Ended	01/11/1999	Harrogate & Knaresborough	Clydesdale Bank PLC, James Street	Company	SC001111	HG1 1QU	Authorised Participant Loan		Base + 2.25%	£0.00	03/09/2007	03/09/2007	10/10/2005	None
AL0036579	Conservative and Unionist Party	Political Party	£50,000.00	Ended	01/01/1999	Berwickshire, Roxburgh & Selkirk	Royal Bank of Scotland, 6 The Square	Company	SC090312	TD5 7HG	Authorised Participant Loan		Base + 2%	£0.00	14/05/2010	14/05/2010	10/10/2005	None
AL0036418	Labour Party	Political Party	£28,500.00	Outstanding	17/04/1998	Salisbury CLP	Lloyds Bank, 25 Gresham Street	Company	3695890	EC1V 7HN	Authorised Participant Loan		Base + 4%	£0.00	01/05/2008		31/03/2006	None
AL0036403	Labour Party	Political Party	£75,000.00	Outstanding	03/06/1992	Islington South and Finsbury CLP	Co-operative Bank, PO Box 101	Company	00990937	M60 4EP	Authorised Participant Loan		Base + 2.5%	£0.00	02/06/2012		31/03/2006	None
AL0036345	Conservative and Unionist Party	Political Party	£10,000.00	Outstanding	01/01/1990	Huntingdon	Barclays Bank PLC, High Street	Company	01026167	ZZ0 0ZZ	Authorised Participant Loan		Base + 2.5%	£0.00			10/10/2005	None

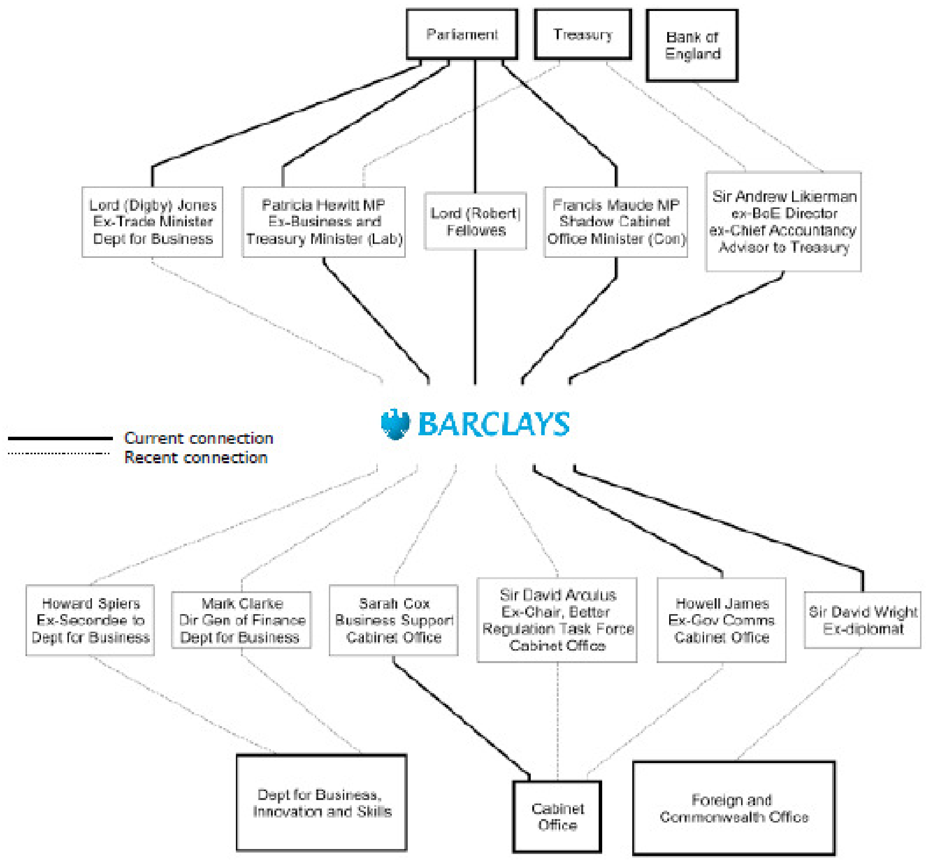
Appendix c

The following is a list of known investment bank lobbyists recruited from the ranks of political and government officials that reinforces the notion of a 'revolving door' between government and the industry that may allow the banks a great level of access and influence;

- Howell James – Appointed as Corporate Affairs Director by Barclays after three months earlier working as "the second highest paid" senior government media advisor
- Sumantra Prasad – Recruited by Lloyds as a public policy manager after working for the Financial Services Authority policy division
- Further, key members of the Conservative Party MP Francis Maude, as well as Labour's Patricia Hewitt sit on Barclay's advisory board.
- Lord Digby Jones, Minister for UK Trade and Investment 07/08 –senior advisor to Barclays Capital 06/07
- Sir David Arculus – Chairman of the Cabinet Office's Better Regulation Task Force, whilst being a Barclay's director
- Sir Ander Likierman, Barclays director since 2004, was until 2008, also a Direct of the Bank of England
- Rachel Lomax, member of Bank of England's monetary policy committee, now a HSBC director
- Lord Nicholas Stern, HSBC advisor, formerly permanent secretary at HM Treasury
- JP Morgan retains Tony Blair as a consultant and senior advisor in 2008
- The following diagram created by Spin watch outlines the connections between Barclays and Government

Spinwatch. *An Inside Job: A Snapshot of Political Schmoozing by The City.* NGO Report, London: Spinwatch, 2011.

Barclays' Connections to Government and its Regulators



Appendix d

TheCityUK Board of Directors – Composition by Organisation

Role	Name	Organisation
Chairman	Stuart Popham	**Vice Chairman of EMEA Banking, Citi**
Deputy Chairman	Stuart Fraser	Chairman of Policy, City of London Corporation
Chief Executive	Chris Cummings	**TheCityUK**
Chairman: Overseas Promotion Committee	Robert Gray	**Chairman, Debt Finance & Advisory, HSBC**
Chairman: Domestic Promotion Committee	Steve Perry	Executive Vice President, Visa Europe
Chairman: International Regulatory Strategy Group	Andre Villeneuve	**Non-Executive Director, Lloyd's Franchise Board**
Member	Elizabeth Corley	CEO, Allianz Global Investors Europe
Member	Sir Tom Harris	**Vice Chairman - Capital Markets, Standard Chartered**
Member	Sean McGovern	**Director & General Counsel, Lloyd's of London**
Member	Harvey McGrath	Chairman, Prudential
Member	Dame Clara Furse	Non-Executive Director, Nomura International and Legal & General
Member	Sushil Saluja	Managing Partner, Accenture
Member	Nick Studer	Partner, Oliver Wyman
Member	Jeremy Wilson	**Vice Chairman, Barclays Corporate**
Observer	Mark Boleat	Deputy Chairman of Policy, City of London Corporation
Observer	Anthony Browne	Policy Director, Mayor of London
Observer	Edward Oakden	Managing Director, UK Trade & Investment

TheCityUK Advisory Council

President	Lord Mayor of London	City of London Corporation
Chairman	Sir Win Bischoff	**Chairman, Lloyds Banking Group**
Deputy Chairman	Lord Peter Levene	**Chairman, Lloyd's of London**
Member	Marcus Agius	**Chairman, Barclays**
Member	Kurt Björklund	Managing Partner, Permira Advisers
Member	Ana P Botín	**CEO, Santander UK**
Member	Lord Leon Brittan	**Vice Chairman, UBS Investment Bank**

Member	David Cheyne	Senior Partner, Linklaters
Member	John Connolly	Senior Partner, Deloitte
Member	John Cridland	**Director General, CBI**
Member	Ludovic de Montille	CEO, BNP Paribas UK
Member	Michael Evans	Chairman, Hargreaves Lansdown
Member	Douglas Flint	**Group Chairman, HSBC Holdings**
Member	Katherine Garrett-Cox	CEO, Alliance Trust
Member	Mark Garvin	**Chairman, JP Morgan UK**
Member	Chris Gibson-Smith	**Chairman, London Stock Exchange**
Member	Roger Gifford	Head of London, SEB Private Banking
Member	Martin Gilbert	CEO, Aberdeen Asset Management
Member	Richard Gillingwater	Dean, Cass Business School
Member	Richard Gnodde	**Co-Chief Executive, Goldman Sachs International**
Member	Colin Grassie	**CEO, Deutsche Bank UK**
Member	John Griffith-Jones	Managing Partner, KPMG
Member	Gerry Grimstone	Chairman, Standard Life
Member	Sir Philip Hampton	**Chairman, RBS**
Member	Andy Haste	**Group Chief Executive, RSA**
Member	Geoffrey Howe	Chairman, Nationwide
Member	George Iacobescu	**CEO, Canary Wharf**
Member	Angela Knight	**CEO, British Bankers Association**
Member	James Leigh-Pemberton	**CEO, Credit Suisse**
Member	Alastair Lyons	Chairman, Admiral Insurance
Member	Peter Mann	**CEO, Skandia UK**
Member	Lord Colin Marshall	Chairman, Nomura Europe
Member	William J Mills	**CEO, Citigroup EMEA**
Member	Donald Moore	**Chairman, Morgan Stanley**
Member	Guy Morton	Senior Partner, Freshfields Bruckhaus Deringer
Member	Andy Baldwin	**Managing Director, Ernst & Young**
Member	Joe Plumeri	CEO, Willis
Member	Ian Powell	Managing Partner, PricewaterhouseCoopers
Member	Lord Sharman	**Chairman, Aviva**
Member	John Stewart	Chairman, Legal & General
Member	Mark Tennant	Chairman, Scottish Financial Enterprise
Member	Bob Wigley	Operating Partner, European Financial Services, Advent International

Appendix e

The following is the results and methodology of key polling by YouGov, Harris-Financial Times and ITN regarding investment banking in the United Kingdom

YouGov
What the world thin

YouGov/Shelter Survey Results

Sample Size: 2118
Fieldwork: 21st April - 3rd May 2011

	Total	First time Buyers
Been offered a bigger mortgage than you/they asked for		
Unweighted Base	2118	156
Base: All adults aged 18+	2118	138
No, this hasn't happened to me or anyone I know	82%	72%
Yes, this has happened to someone I know	10%	20%
Yes, this has happened to me	9%	9%
Net: Yes	18%	28%
Thinking about first time buyers: which do you think is a bigger problem, that homes cost too much, or that first time buyers can't borrow enough money?		
Unweighted Base	2118	156
Base: All adults aged 18+	2118	138
Homes cost too much	53%	53%
First time buyers can't borrow enough money	39%	41%
Neither is a problem for first time buyers	2%	2%
Not sure	5%	3%
Banks/building societies should only offer mortgages to borrowers who can show they can afford it		
Unweighted Base	2118	156
Base: All adults aged 18+	2118	138
Strongly agree	29%	23%
Agree	57%	61%
Neither agree or disagree	8%	9%
disagree	3%	5%
Strongly disagree	1%	-
Don't know	2%	3%
Net: Agree	87%	84%
Net: Disagree	3%	5%

YouGov
What the world thi

Politicians need to do more to prevent irresponsible lending

	Total	First time Buyers
Unweighted Base	2118	156
Base: All adults aged 18+	2118	138
Strongly agree	26%	21%
Agree	50%	44%
Neither agree or disagree	14%	18%
disagree	6%	12%
Strongly disagree	2%	0%
Don't know	3%	5%
Net: Agree	76%	65%
Net: Disagree	8%	12%

Banks/Building societies lent irresponsibly to some people before the credit crunch

	Total	First time Buyers
Unweighted Base	2118	156
Base: All adults aged 18+	2118	138
Strongly agree	41%	37%
Agree	43%	42%
Neither agree or disagree	8%	9%
disagree	3%	5%
Strongly disagree	1%	1%
Don't know	5%	6%
Net: Agree	84%	79%
Net: Disagree	4%	6%

YouGov
What the world think

Banks/building societies can be trusted to lend responsibly in the future

	Total	First time Buyers
Unweighted Base	2118	156
Base: All adults aged 18+	2118	138
Strongly agree	2%	1%
Agree	18%	32%
Neither agree or disagree	27%	25%
disagree	36%	30%
Strongly disagree	11%	8%
Don't know	7%	5%
Net: Agree	20%	33%
Net: Disagree	46%	38%

Rules for banks and building societies to make sure people can afford to pay back their mortgage are tight enough

	Total	First time Buyers
Unweighted Base	2118	156
Base: All adults aged 18+	2118	138
Strongly agree	7%	7%
Agree	26%	35%
Neither agree or disagree	22%	27%
disagree	27%	16%
Strongly disagree	8%	1%
Don't know	10%	14%
Net: Agree	33%	41%
Net: Disagree	35%	18%

YouGov What the world thinks

Banks/building societies should lend responsibly even though it would mean some people wouldn't get mortgages

	Total	First time Buyers
Unweighted Base	2118	156
Base: All adults aged 18+	2118	138
Strongly agree	23%	17%
Agree	59%	58%
Neither agree or disagree	10%	16%
disagree	3%	3%
Strongly disagree	1%	1%
Don't know	3%	5%
Net: Agree	83%	75%
Net: Disagree	4%	4%

Banks/Building societies should check a borrower's income on every mortgage loan

	Total	First time Buyers
Unweighted Base	2118	156
Base: All adults aged 18+	2118	138
Strongly agree	28%	18%
Agree	58%	65%
Neither agree or disagree	7%	9%
disagree	3%	3%
Strongly disagree	1%	1%
Don't know	3%	4%
Net: Agree	86%	83%
Net: Disagree	3%	5%

YouGov What the world thinks

Banks/Building societies should check that the borrower can afford the mortgage loan after their monthly outgoings have been deducted from their income

	Total	First time Buyers
Unweighted Base	2118	156
Base: All adults aged 18+	2118	138
Strongly agree	23%	17%
Agree	58%	57%
Neither agree or disagree	10%	9%
disagree	5%	12%
Strongly disagree	1%	1%
Don't know	3%	3%
Net: Agree	81%	75%
Net: Disagree	5%	13%

Harris – Financial Times Polling Raw Aggregates

TABLE 1
TAX IMPOSITION ON BANKERS' BONUSES
"The UK recently became the first country to impose a tax on the bonuses payable to bankers. How much do you agree or disagree with this decision?"

Base: All GB adults

	Total
	%
Agree (NET):	**78%**
Strongly agree	59%
Somewhat agree	18%
Neither agree nor disagree	8%
Disagree (NET):	**8%**
Somewhat disagree	4%
Strongly disagree	4%
Not sure	6%

Note: Percentages may not add up to 100% due to rounding

TABLE 2
CAP ON BANKERS' SALARIES
"How much do agree or disagree that there should be a cap on bankers' salaries (exclusive of bonuses)?"

Base: All GB adults

	Total
	%
Agree (NET):	**74%**
Strongly agree	54%
Somewhat agree	20%
Neither agree nor disagree	11%
Disagree (NET):	**11%**
Somewhat disagree	6%
Strongly disagree	5%
Not sure	4%

Note: Percentages may not add up to 100% due to rounding

TABLE 3
CAPPING OTHER HIGH-EARNING PROFESSIONS' SALARIES AND BONUSES
"How much do you agree or disagree that other high-earning professions – not just bankers – should have their salaries and bonuses capped?"

Base: All GB adults

	Total
	%
Agree (NET):	**68%**
Strongly agree	40%
Somewhat agree	28%
Neither agree nor disagree	12%
Disagree (NET):	**17%**
Somewhat disagree	9%
Strongly disagree	8%
Not sure	3%

Note Percentages may not add up to 100% due to rounding

TABLE 4
PROFESSIONS THAT SHOULD HAVE THEIR SALARIES CAPPED
"Which, if any, of the following professions should have their salaries capped?"

Base: All GB adults

	Total
	%
Corporate executives	80%
Lawyers	64%
Civil servants	59%
Private Doctors	56%
Actors	51%
Athletes	48%
Musicians and Singers	42%
Other	15%

Note: Percentages may not add up to 100% due to rounding

TABLE 5
FINANCIAL CRISIS - RESPONSIBILITY
"In your opinion, who was primarily responsible for the financial crisis?"

Base: All GB adults

	Total
	%
The banking industry	38%
National governments	18%
The economic model as a whole	13%
Central banks	5%
No one group was primarily responsible	14%
Other	1%
Not sure	10%

Note: Percentages may not add up to 100% due to rounding

TABLE 6

FINANCIAL CRISIS - RECOVERY

"To what extent do you believe that the UK has recovered from the financial crisis?"

Base: All GB adults

	Total
	%
Not at all	35%
Somewhat	43%
A fair amount	11%
Quite a lot	3%
A great deal	1%
Not sure	6%

Note: Percentages may not add up to 100% due to rounding

TABLE 7

BREAKING UP THE BANKS

"Some suggest that banks should be split into traditional commercial banks serving consumers and businesses, or high street banks as they are also called, and investment banks. How much do you agree or disagree with this?"

Base: All GB adults

	Total
	%
Agree(NET):	50%
Strongly agree	15%
Somewhat agree	35%
Neither agree nor disagree	26%
Disagree(NET):	6%
Somewhat disagree	4%
Strongly disagree	2%
Not sure	18%

Note: Percentages may not add up to 100% due to rounding

TABLE 8

BANKER – A PROFESSION TO ASPIRE TO?

"If you had a child and they said they wanted to be a banker, how happy would you be?"

Base: All GB adults

	Total
	%
Happy (NET)	31%
Somewhat happy	13%
Very happy	18%
Indifferent	49%
Not happy (NET)	12%
Somewhat unhappy	8%
Very unhappy	4%
Not sure	8%

Note: Percentages may not add up to 100% due to rounding

TABLE 9
FINANCIAL CRISIS - RESPONSIBILITY
"In your opinion, who was primarily responsible for the financial crisis?"

Base: All GB adults

		Trust	Do Not Trust	Indifferent/ Not Sure
HSBC	%	31	24	46
Barclays Bank	%	31	26	43
Santander	%	28	22	50
Lloyds Banking Group	%	27	28	45
Royal Bank of Scotland (RBS)	%	21	37	42
Deutsche Bank	%	11	22	67
Citigroup	%	10	27	64
Goldman Sachs	%	9	30	60
Commerzbank	%	6	22	79

Note: Percentages may not add up to 100% due to rounding

Methodology

This **FT/Harris Poll** was conducted online by Harris Interactive among a total of 1,347 adults in Great Britain between January 6 and 11, 2010. Figures for age, sex, education, region and Internet usage were weighted where necessary to bring them into line with their actual proportions in the population. Propensity score weighting was used to adjust for respondents' propensity to be online.

All sample surveys and polls, whether or not they use probability sampling, are subject to multiple sources of error which are most often not possible to quantify or estimate, including sampling error, coverage error, error associated with nonresponse, error associated with question wording and response options, and post-survey weighting and adjustments. Therefore, Harris Interactive avoids the words "margin of error" as they are misleading. All that can be calculated are different possible sampling errors with different probabilities for pure, unweighted, random samples with 100% response rates. These are only theoretical because no published polls come close to this ideal.

Respondents for this survey were selected from among those who have agreed to participate in Harris Interactive surveys. The data have been weighted to reflect the composition of the adult populations of the respective countries. Because the sample is based on those who agreed to participate in the Harris Interactive panel, no estimates of theoretical sampling error can be calculated.

The results of this Harris Poll may not be used in advertising, marketing or promotion without the prior written permission of Harris Interactive.

These statements conform to the principles of disclosure of the National Council on Public Polls and of the British Polling Council.

***The Harris Poll*® #14, January 28, 2010**

Cuts Index Survey

ONLINE Fieldwork : 9th - 11th September 2011

Absolutes/col percents

Table 1
Q1. Do you agree or disagree with the following statements?
Base: All respondents

	Gender			Age						Social Class				Region				
	Total	Male	Female	18-24	25-34	35-44	45-54	55-64	65+	AB	C1	C2	DE	South East	Mid-lands	North Eng-land	Wales & South West	Scot-land
Unweighted base	2030	974	1056	205	342	421	362	319	381	730	527	293	480	506	543	534	268	179
Weighted base	2030	995	1035	244	325	386	345	304	426	548	589	426	467	516	536	509	293	176
The bank sector has learnt the lessons of the financial crisis in 2008																		
Agree	244	112	131	44	64	56	26	26	27	81	75	37	52	77	61	60	30	16
	12%	11%	13%	18%	20%	15%	8%	8%	6%	15%	13%	9%	11%	15%	11%	12%	10%	9%
Disagree	1453	747	706	149	210	258	250	243	342	401	417	312	322	365	376	358	223	131
	72%	75%	68%	61%	65%	67%	73%	80%	80%	73%	71%	73%	69%	71%	70%	70%	76%	74%
Don't know	333	135	198	51	51	72	68	35	57	66	97	77	93	74	99	91	40	29
	16%	14%	19%	21%	16%	19%	20%	12%	13%	12%	16%	18%	20%	14%	18%	18%	14%	17%
In the current financial situation, the Government is more concerned with protecting the banks than protecting the British public																		
Agree	1362	658	704	150	209	268	241	204	291	348	374	310	330	329	365	352	190	127
	67%	66%	68%	62%	64%	69%	70%	67%	68%	64%	64%	73%	71%	64%	68%	69%	65%	72%
Disagree	309	174	134	40	51	56	51	48	63	114	95	53	47	97	88	61	43	21
	15%	18%	13%	16%	16%	15%	15%	16%	15%	21%	16%	12%	10%	19%	16%	12%	15%	12%
Don't know	359	162	197	54	65	62	54	52	73	86	120	64	90	90	83	97	60	29
	18%	16%	19%	22%	20%	16%	16%	17%	17%	16%	20%	15%	19%	17%	15%	19%	21%	16%
Banks are mostly to blame for the current financial situation																		
Agree	1420	739	681	149	204	279	245	228	316	373	414	311	321	365	372	356	201	126
	70%	74%	66%	61%	63%	72%	71%	75%	74%	68%	70%	73%	69%	71%	69%	70%	69%	71%
Disagree	312	160	153	49	59	52	49	41	63	101	98	54	60	88	80	75	47	22
	15%	16%	15%	20%	18%	13%	14%	13%	15%	18%	17%	13%	13%	17%	15%	15%	16%	12%
Don't know	298	96	202	46	62	55	51	36	47	74	76	62	86	64	83	78	44	29
	15%	10%	19%	19%	19%	14%	15%	12%	11%	13%	13%	14%	18%	12%	16%	15%	15%	16%
There should be a legal limit on salary and bonus packages in banks that have been bailed out with public money																		
Agree	1761	861	900	184	264	322	305	282	405	456	515	378	412	440	462	445	258	157
	87%	87%	87%	75%	81%	84%	88%	93%	95%	83%	87%	89%	88%	85%	86%	87%	88%	89%
Disagree	123	76	47	25	19	32	16	15	15	60	35	20	8	49	35	20	13	6
	6%	8%	5%	10%	6%	8%	5%	5%	4%	11%	6%	5%	2%	9%	7%	4%	4%	3%
Don't know	146	58	88	35	42	32	24	8	6	32	39	28	47	27	38	45	22	13
	7%	6%	9%	14%	13%	8%	7%	3%	1%	6%	7%	7%	10%	5%	7%	9%	8%	8%

Cuts Index Survey

ONLINE Fieldwork : 9th - 11th September 2011

Absolutes/col percents

Table 2
Q1. Do you agree or disagree with the following statements?
Base: All respondents

		Gender		Age						Social Class				Region				
	Total	Male	Female	18-24	25-34	35-44	45-54	55-64	65+	AB	C1	C2	DE	South East	Mid-lands	North Eng-land	Wales & South West	Scot-land
Weighted base	2030	995	1035	244	325	386	345	304	426	548	589	426	467	516	536	509	293	176
The UK Government should regulate banks more strongly																		
Agree	1728	847	881	179	265	335	300	266	384	450	509	374	395	427	458	437	255	151
	85%	85%	85%	73%	82%	87%	87%	87%	90%	82%	87%	88%	85%	83%	85%	86%	87%	86%
Disagree	115	64	51	30	19	18	15	18	15	50	35	16	14	40	34	23	13	5
	6%	6%	5%	12%	6%	5%	4%	6%	4%	9%	6%	4%	3%	8%	6%	4%	5%	3%
Don't know	187	84	103	35	40	33	31	21	27	48	45	37	57	49	44	49	25	20
	9%	8%	10%	14%	12%	9%	9%	7%	6%	9%	8%	9%	12%	9%	8%	10%	8%	11%

Cuts Index Survey

ONLINE Fieldwork : 9th - 11th September 2011

Absolutes/col percents

Table 3
Q1. Do you agree or disagree with the following statements?
Base: All respondents

	Total	Region: Scot-land	North East	North West	Yorks & Humber	West Mids	Wales	East-ern	London	South East	South West	East Mids
Unweighted base	2030	179	96	253	185	182	100	197	221	285	168	164
Weighted base	2030	176	92	239	179	188	108	190	255	260	185	158
The bank sector has learnt the lessons of the financial crisis in 2008												
Agree	244	16	15	26	19	16	11	27	47	30	19	18
	12%	9%	16%	11%	10%	9%	10%	14%	18%	12%	10%	12%
Disagree	1453	131	68	165	125	130	85	127	179	187	138	119
	72%	74%	75%	69%	70%	69%	79%	67%	70%	72%	74%	75%
Don't know	333	29	9	47	36	42	12	36	30	44	28	21
	16%	17%	9%	20%	20%	22%	11%	19%	12%	17%	15%	13%
In the current financial situation, the Government is more concerned with protecting the banks than protecting the British public												
Agree	1362	127	63	161	127	132	76	125	167	161	114	109
	67%	72%	69%	68%	71%	70%	71%	66%	66%	62%	61%	69%
Disagree	309	21	10	28	23	29	8	33	53	44	35	26
	15%	12%	11%	12%	13%	15%	8%	17%	21%	17%	19%	17%
Don't know	359	29	18	50	29	27	23	33	35	55	37	23
	18%	16%	20%	21%	16%	14%	22%	17%	14%	21%	20%	15%
Banks are mostly to blame for the current financial situation												
Agree	1420	126	64	163	129	134	78	133	182	183	123	105
	70%	71%	70%	68%	72%	71%	73%	70%	71%	70%	66%	67%
Disagree	312	22	16	34	26	20	14	29	41	47	33	31
	15%	12%	17%	14%	14%	11%	13%	15%	16%	18%	18%	20%
Don't know	298	29	12	42	24	34	15	28	33	31	29	22
	15%	16%	13%	18%	14%	18%	14%	15%	13%	12%	16%	14%
There should be a legal limit on salary and bonus packages in banks that have been bailed out with public money												
Agree	1761	157	76	209	160	161	102	161	207	233	156	140
	87%	89%	83%	87%	89%	86%	95%	85%	81%	89%	84%	89%
Disagree	123	6	5	7	7	10	1	17	32	17	12	9
	6%	3%	6%	3%	4%	5%	1%	9%	12%	7%	6%	6%
Don't know	146	13	10	23	12	17	5	13	17	11	17	8
	7%	8%	11%	10%	7%	9%	4%	7%	7%	4%	9%	5%

Cuts Index Survey

ONLINE Fieldwork : 9th - 11th September 2011

Absolutes/col percents

Table 4

Q1. Do you agree or disagree with the following statements?

Base: All respondents

		Region										
	Total	Scot-land	North East	North West	Yorks & Humber	West Mids	Wales	East-ern	London	South East	South West	East Mids
Weighted base	2030	176	92	239	179	188	108	190	255	260	185	158
The UK Government should regulate banks more strongly												
Agree	1728	151	80	205	152	159	98	162	206	221	157	137
	85%	86%	88%	86%	85%	85%	91%	85%	81%	85%	85%	87%
Disagree	115	5	6	10	7	8	3	15	25	14	11	12
	6%	3%	6%	4%	4%	4%	2%	8%	10%	6%	6%	7%
Don't know	187	20	6	24	20	21	7	13	24	25	18	9
	9%	11%	6%	10%	11%	11%	7%	7%	9%	10%	9%	6%

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ONLINE Fieldwork : 9th - 11th September 2011

Absolutes/col percents

Table 5

Q2. Do you agree or disagree with the following statements?

Base: All respondents

		Gender		Age						Social Class				Region				
	Total	Male	Female	18-24	25-34	35-44	45-54	55-64	65+	AB	C1	C2	DE	South East	Mid-lands	North Eng-land	Wales & South West	Scot-land
Unweighted base	2030	974	1056	205	342	421	362	319	381	730	527	293	480	506	543	534	268	179
Weighted base	2030	995	1035	244	325	386	345	304	426	548	589	426	467	516	536	509	293	176
Banks should be forced to separate their high-street banking from investment banking in order to avoid another economic crisis																		
Agree	1554	784	770	159	212	299	259	252	372	409	437	345	362	371	415	404	228	136
	77%	79%	74%	65%	65%	78%	75%	83%	87%	75%	74%	81%	78%	72%	77%	79%	78%	77%
Disagree	132	77	55	29	34	21	17	20	11	59	40	20	12	54	36	21	12	9
	7%	8%	5%	12%	11%	5%	5%	7%	2%	11%	7%	5%	3%	10%	7%	4%	4%	5%
Don't know	344	134	210	56	79	66	69	32	43	79	111	61	93	91	85	84	52	32
	17%	13%	20%	23%	24%	17%	20%	10%	10%	14%	19%	14%	20%	18%	16%	17%	18%	18%
The Government has dealt appropriately with the way banks take on financial risk																		
Agree	304	166	139	41	55	59	47	37	65	107	85	52	61	93	91	64	41	15
	15%	17%	13%	17%	17%	15%	14%	12%	15%	19%	14%	12%	13%	18%	17%	13%	14%	8%
Disagree	1222	624	598	131	174	229	217	203	267	328	335	276	283	288	297	325	192	121
	60%	63%	58%	54%	54%	59%	63%	67%	63%	60%	57%	65%	61%	56%	55%	64%	65%	69%
Don't know	504	205	298	71	96	97	81	64	94	113	168	98	123	134	148	120	60	41
	25%	21%	29%	29%	29%	25%	23%	21%	22%	21%	29%	23%	26%	26%	28%	24%	21%	23%
British tax payers are still paying the price for excessive risk taking by the banks																		
Agree	1801	894	907	192	257	346	310	286	410	479	522	389	412	462	484	445	256	155
	89%	90%	88%	79%	79%	90%	90%	94%	96%	87%	89%	91%	88%	90%	90%	87%	87%	88%
Disagree	76	38	39	21	23	11	8	8	5	32	24	17	4	24	24	13	9	6
	4%	4%	4%	9%	7%	3%	2%	3%	1%	6%	4%	4%	1%	5%	4%	3%	3%	3%
Don't know	152	63	90	31	44	29	28	11	10	37	43	21	51	30	28	51	27	16
	8%	6%	9%	13%	14%	7%	8%	4%	2%	7%	7%	5%	11%	6%	5%	10%	9%	9%
The regulatory changes made since the financial crisis have been enough to reassure me that a similar collapse is much less likely to happen in the future																		
Agree	283	150	133	41	58	64	31	36	53	82	90	62	48	75	95	60	33	20
	14%	15%	13%	17%	18%	17%	9%	12%	13%	15%	15%	15%	10%	15%	18%	12%	11%	12%
Disagree	1273	654	619	134	162	244	236	212	285	351	348	273	301	342	303	321	193	115
	63%	66%	60%	55%	50%	63%	68%	70%	67%	64%	59%	64%	65%	66%	57%	63%	66%	65%
Don't know	474	191	283	69	104	78	79	56	88	115	150	91	117	99	137	129	67	41
	23%	19%	27%	28%	32%	20%	23%	18%	21%	21%	26%	21%	25%	19%	26%	25%	23%	23%

Cuts Index Survey

ONLINE Fieldwork : 9th - 11th September 2011

Absolutes/col percents

Table 6
Q2. Do you agree or disagree with the following statements?
Base: All respondents

		Gender		Age						Social Class				Region				
	Total	Male	Female	18-24	25-34	35-44	45-54	55-64	65+	AB	C1	C2	DE	South East	Mid-lands	North Eng-land	Wales & South West	Scot-land
Weighted base	2030	995	1035	244	325	386	345	304	426	548	589	426	467	516	536	509	293	176
I am more careful about where I put my money after the financial crisis of recent years																		
Agree	1468	717	751	146	235	272	235	238	342	394	434	316	324	371	381	368	206	141
	72%	72%	73%	60%	72%	70%	68%	78%	80%	72%	74%	74%	69%	72%	71%	72%	70%	80%
Disagree	285	167	119	53	46	59	59	30	37	94	86	57	49	81	73	76	46	9
	14%	17%	11%	22%	14%	15%	17%	10%	9%	17%	15%	13%	11%	16%	14%	15%	16%	5%
Don't know	277	111	166	45	43	55	51	36	47	61	69	53	94	64	81	66	41	25
	14%	11%	16%	18%	13%	14%	15%	12%	11%	11%	12%	13%	20%	12%	15%	13%	14%	14%

Cuts Index Survey

ONLINE Fieldwork : 9th - 11th September 2011

Absolutes/col percents

Table 7
Q2. Do you agree or disagree with the following statements?
Base: All respondents

	Total	Scot-land	North East	North West	Yorks & Humber	West Mids	Wales	East-ern	London	South East	South West	East Mids
		Region										
Unweighted base	2030	179	96	253	185	182	100	197	221	285	168	164
Weighted base	2030	176	92	239	179	188	108	190	255	260	185	158
Banks should be forced to separate their high-street banking from investment banking in order to avoid another economic crisis												
Agree	1554	136	71	190	143	147	89	141	174	197	139	127
	77%	77%	77%	80%	80%	78%	82%	74%	68%	76%	75%	81%
Disagree	132	9	6	9	7	10	3	14	37	17	9	12
	7%	5%	6%	4%	4%	5%	3%	7%	15%	6%	5%	8%
Don't know	344	32	15	40	29	31	16	35	45	47	36	18
	17%	18%	17%	17%	16%	17%	15%	18%	18%	18%	20%	12%
The Government has dealt appropriately with the way banks take on financial risk												
Agree	304	15	13	31	21	21	14	42	49	44	27	29
	15%	8%	14%	13%	12%	11%	13%	22%	19%	17%	15%	18%
Disagree	1222	121	65	141	119	108	73	104	145	144	119	85
	60%	69%	71%	59%	66%	57%	68%	55%	57%	55%	64%	54%
Don't know	504	41	14	67	39	59	21	45	62	72	39	44
	25%	23%	16%	28%	22%	32%	19%	24%	24%	28%	21%	28%
British tax payers are still paying the price for excessive risk taking by the banks												
Agree	1801	155	79	202	164	172	99	167	222	239	157	145
	89%	88%	86%	85%	91%	92%	92%	88%	87%	92%	85%	92%
Disagree	76	6	5	8	1	7	1	11	16	9	8	7
	4%	3%	5%	3%	*	4%	1%	6%	6%	3%	4%	4%
Don't know	152	16	8	29	14	9	7	13	17	13	21	6
	8%	9%	9%	12%	8%	5%	6%	7%	7%	5%	11%	4%
The regulatory changes made since the financial crisis have been enough to reassure me that a similar collapse is much less likely to happen in the future												
Agree	283	20	12	29	19	24	11	45	40	35	22	27
	14%	12%	13%	12%	11%	13%	11%	23%	16%	13%	12%	17%
Disagree	1273	115	61	140	120	110	69	102	166	175	123	92
	63%	65%	67%	59%	67%	58%	65%	54%	65%	67%	67%	58%
Don't know	474	41	19	70	40	54	27	44	49	51	40	40
	23%	23%	20%	29%	22%	29%	25%	23%	19%	19%	22%	25%

Cuts Index Survey

ONLINE Fieldwork : 9th - 11th September 2011

Absolutes/col percents

Table 7

Q2. Do you agree or disagree with the following statements?

Base: All respondents

	Total	Region: Scot-land	North East	North West	Yorks & Humber	West Mids	Wales	East-ern	London	South East	South West	East Mids
Weighted base	2030	176	92	239	179	188	108	190	255	260	185	158
I am more careful about where I put my money after the financial crisis of recent years												
Agree	1468	141	68	163	137	132	75	134	191	180	131	115
	72%	80%	74%	68%	77%	70%	70%	71%	75%	69%	71%	73%
Disagree	285	9	15	32	28	25	16	28	39	42	30	20
	14%	5%	17%	13%	16%	13%	15%	15%	15%	16%	16%	13%
Don't know	277	25	9	43	13	31	16	27	25	38	24	23
	14%	14%	9%	18%	8%	16%	15%	14%	10%	15%	13%	15%