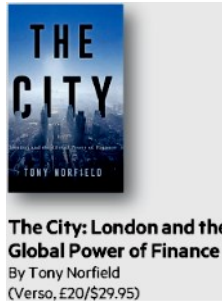


Banking as seen from the belly of the beast

Book review
By Brooke Masters



It is not every day you read a book about global finance by a banker who quotes Lenin approvingly on page two.

But then Tony Norfield is not your ordinary denizen of the City of London. He spent 20 years staring at Bloomberg terminals on bank dealing desks, rising to become head of foreign exchange strategy at Dutch lender ABN Amro before the financial crisis. But he never lost his scepticism about capitalism and financial services.

This is a man who writes without irony about “financial parasitism”. In *The City: London and the Global Power of Finance*, he seeks to document just how the UK and the US extract their pound of flesh from the rest of the world by dominating the financial flows that make international trade possible.

He argues that London’s leading role in foreign exchange trading, derivatives and overseas lending is an extension of its imperialist past. Creating complex financial products and charging for them has enabled the sector to requisition for the UK and London — and, of course, bankers themselves — a disproportionate share of the benefits of global trade.

Unlike many of those who produce Marxist critiques of financial capitalism, Norfield writes from a position of experience: he has worked in the belly of the beast, and the book is the better for it. He lends power to his explanation of derivatives, for example, by describing his terror when his money market position inexplicably showed a loss ahead of some important US economic data. He held on, convinced that rivals at other

big banks were trying to drive small fry out of the market — and ultimately won big when the data release moved markets his way.

His experience in the industry gives him an intimate understanding of how modern banking works hand in glove with the rest of big business, handing advantages to rich companies based in large financial centres. US multinationals, he argues, start ahead of the game because so many of their inputs are priced in dollars, which means they are more protected from currency swings than their rivals and suppliers. Their debt is cheaper because of their home nation’s strong sovereign rating.

As a former banker, Norfield steers away from the class-based hatred found in many Marxist analyses. Mostly he reserves his scorn for politicians who seek to distinguish between worthy industrial capitalists and bad bankers. Both, in his view, are extracting a disproportionate share of value from workers and less developed countries.

Big industrial and commercial groups inevitably become involved with the financial markets through takeovers, hedging and equity and debt sales.

Complex financial products have also allowed many big companies to boost their profitability when productivity gains have slowed in their main businesses. “If you do not like ‘finance’ but have no problem with the capitalist market system,” he writes, “you ought to think a little more about the perspective, since the two are

inseparable.”

Indeed, he argues that the growth of financial services has kept the UK prosperous and relevant. For decades, he says, the sector has compensated for the country’s growing inability to compete in the production of real goods and allowed it to play an outsized role in international affairs. “Britain’s privileged status in the world economy . . . facilitates the transfer of revenues into the UK from what the rest of the world produces,” he writes.

This is a serious book. It grew out of Norfield’s dissertation at London’s School of Oriental and African Studies. At times it can be heavy going, particularly in the sections where he reviews the academic and theoretical literature about imperialism and global finance. But this makes his conclusions that much more convincing.

Just after the financial crisis, Rolling Stone magazine called Goldman Sachs the “vampire squid wrapped around the face of humanity”. In this book, Norfield extends the metaphor to call London the “vampire’s blood bank”. In *The City*, he has done the research and pulled together the financial statistics that explain how the bloodsucking works.

The writer is the FT’s companies editor



Il sistema bancario come viene visto dall'interno della bestia