

Bank profits to fall – thank goodness

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[The FT reports:](#)

The global [regulatory crackdown](#) in the wake of the financial crisis is likely to cut long-term profitability at US and European investment banks by nearly a third, forcing them to cut bonuses and shed staff, says a study by JPMorgan.

As Keynes noted in 1936 though

Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done. The measure of success attained by Wall Street, regarded as an institution of which the proper social purpose is to direct new investment into the most profitable channels in terms of future yield, cannot be claimed as one of the outstanding triumphs of laissez-faire capitalism — which is not surprising, if I am right in thinking that the best brains of Wall Street have been in fact directed towards a different object. - J.M. Keynes, The General Theory of Employment, Interest and Money (1936: 159)

Cracking down on Wall St and the City will, in other words, do no harm.

Hat tip on Keynes quote to [the TUC](#).