

How the big banks rigged the market

Published: January 15, 2026, 9:54 am

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Excellent to see a columnist asking why and how banks make their extortionate profits and at cost to whom (it's you, by the way - this is a ginat exercise in shifting resources from less well off the most well off)

As Philip Stephens notes:

When Lloyd Blankfein met politicians in London a little while ago he brushed aside warnings that investment banks faced higher taxes if they ignored the rising public outcry about multibillion-dollar bonus pools. The Goldman chief executive seemed to believe governments would not dare.

He was wrong. They do dare. Apparently Goldman were ferocious in counter attack.

But as Stephens also says:

The next stage must be scrutiny of the structural distortions that allow these institutions to rack up such huge profits. Broadly speaking, the leading players in at least three areas of investment banking — wholesale markets, underwriting and mergers and acquisitions — have been operating natural oligopolies.

Their profits have been in significant part a reflection of the absence of robust competition. There are different reasons for this in the different areas of business — what economists call asymmetries in some and market dominance in others. But as long as they are not addressed, the banks will make profits — or more accurately, extract rents — out of all proportion to any contribution they make to the wider economy.

And this has to look at something that is usually ignored - and that is the incidence of the charges the banks make. Incidence is an argument beloved for the right wing tax lobby - always being used to claim taxes ion capital only harm labour. well, I say let's work out who the profit harmed in the first instance before we even worry about who

the tax harmed.

And there's good reason to ask this. Do you want to know why your pension is lousy? I'll tell you: bankers stole it. Your future is their present excess.

Ditto the collapse of endowments.

And now much of the economy.

This is what we need to know. Because when we realise that all bankers have done is a modern version of enclosing the commons - capturing semi-communal property such as pension funds for their personal gain then we'll see exactly why massive change in the system is needed.

Let's make this personal I say. Because it is. These people aren't doing God's work. They're lining their pockets unjustly. And all the rest of us lose from beginning to end.