

When you get angry about bank profits just ask who gave...

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This is bank reporting week - when it is widely predicted the banks will report profits ranging from recovering to healthy, with massive bonuses to match.

The starkest evidence that the 2008 crisis has been wasted - that the the essential reform needed to reform the world economy by eliminating the cancerous culture of big finance - will be there for all to view.

People will rightly ask the question "how do banks get away with it?"

But they might better ask "How do the banks get this cash that they then abuse?"

The answer to the second question leads to the answer to the first question. And the answer is easy to provide. You provide the banks with their profit. They effectively tax you, your assets and your future to hoover up the cash they then use to pay bonuses, and to declare as profits sums disproportionate to any risk they take and any contribution they make to society, well being or the economy.

We know banks have not passed on to consumers the almost zero cost of credit they now enjoy as a result of low official interest rates.

We know banks continue to charge excessively for a great many of the services they supply.

We know banks get a hidden subsidy when doing so because as consumers we compare VAT inclusive prices - but the price banks charge for their services don't include VAT which they don't charge. And I am quite sure that the banks exploit that. They charge the price they would if VAT was included and pocket the difference themselves. And there's nothing but a change in VAT law or a Robin Hood Tax to stop them doing so, so they're exploiting you again.

But worse, much worse, is the fact that they help strip your future of hope. Banks are part of the whole pension industry infrastructure - often trading on those funds behalf even when the banks do not own the pension company in which you save. And pension

funds provide the most enormous pool of assets for which the supposed trustees are almost wholly unaccountable. After all, when did you last receive accounts from your pension fund rather than a simple note that they'd simply lost what you'd contributed to them in the last year (something that is almost inevitable as UK pension funds still insist on investing almost 70% of their assets in equities - that is shares - even though the average rate on shares over the last decade is 0% and very few fund managers do as well as the average rate of return - a fact that is when you think about it inevitable when management costs are taken into account.) One reason for that appalling rate of return is the churn and the charging that results from it - all of which in turn helps boost bank profits, at your expense and at cost to your future well being.

So who pays for bank profits? You do. Or as an economist would put it, the incidence of this excessive profit is on you, the ordinary person in the UK. Those same economists love talking incidence when it comes to taxes on banks - they ignore it when it comes to charges. But of course the charges are the more important issue. And banks aren't clever enough to make profits out of nothing (except when creating money for nothing). They have to make it from somebody - and that somebody is you.

So let's go back to that first question, which was "how do they get away with it?" Well, because we've let them do so. And it looks like this government will continue to let them do so. And we do that in very large part because they've made sure we don't have the information to see by just how much they're exploiting us - and our future well being.

But it's really not hard to see the link. The flip side of the pension crisis is current excessive profits in financial services.

Or to flip it again- current excessive profits in banking are destroying our futures.

How much clearer can I be?