Bob Diamond has posted an extraordinary article on the Guardian's Comment is Free today - apparently drawn from a lecture he's doing for the BBC (and why? is the very reasonable response to that news).

I have posted a comment in response to his absurdly misleading comments on bank responsibility, saying:

Bob Diamond presents a quite extraordinarily misleading and patronising view of the role of banks and what their consequent responsibilities are in this article. Many points could be drawn out: two suffice.

First of all if Diamond were to be believed he is nothing much more than a glorified Captain Mainwaring, taking in local people's deposits, counting them carefully, storing them in the vault behind his desk and lending them on with great care to others well known to the bank manager. This is utterly untrue. This is not in any way remotely related to the model of banking we have in this country.

Of course banks handle deposits, but as anyone who has reviewed rates available to depositors for the last few years will know just how contemptuous banks have been of those who wish to use their services for this purpose. There is good reason for that: banks do not (and never have) needed depositors for enable them to make loans. The simple fact is that the money banks lend is created by them out of thin air. It's offensively easy for them to do so. All that happens when someone asks for a loan is to credit a current account with the amount of the loan and debit a loan account with the same sum. That's it: that is how 97% of all money in the UK is created, but as is clear, deposits play no part in that process. Instead banks literally create the cash they lend and can get away with this trick so long as people think they're good for their promise to pay — which they will be so long as, as is now the case, the government clearly considers them too big to fail and explicitly and implicitly guarantees all they do. The insult to the injury is that having made this cash out of thin air they then charge heavily for it — vastly more than they pay for deposits. No wonder an organisation that can costlessly create what it sells is so profitable.

Bob Diamond acknowledges none of this, and the fact that much of the profit he and his *colleagues supposedly generate is effectively licenced to them by the fact that the government has failed to claim for itself the right to he profit made on the creation of money; money which only the state can legitimise, but which banks have claimed for their own benefit and which they have used to speculate at considerable social cost to society at large, as Adair Turner and others have noted.*

Secondly Bob Diamond fails to make any mention of tax, or the tax havens that banks use to mitigate their liability to pay tax. The payment of tax is the single biggest indicator of social responsibility in my opinion. Diamond does not even mention it, but his bank has been shown to be a persistent avoider of tax liabilities by me and other tax analysts. It's hard to be sure how much Barclays avoids in tax so opaque is its accounting but it's also safe to say it is likely to run to hundreds of millions of pounds, probably a year, and over the period he reviews in his article much more than that.

Associated with this is the clear commitment of his bank to the active promotion of tax havens for its own sue and for the use of its customers. Tax havens, or secrecy jurisdictions as I prefer to call them, can be defined as places that intentionally create regulation for the primary benefit and use of those not resident in their geographical domain. That regulation is designed to undermine the legislation or regulation of another jurisdiction. To facilitate the use of that regulation secrecy jurisdictions also create a deliberate, legally backed veil of secrecy that ensures that those from outside the jurisdiction making use of its regulation cannot be identified to be doing so. As such these places are fundamentally anti-democratic since they seek to undermine the mandate of democratically elected governments to elect the tax that is due to them.

Worse still, they create a criminogenic environment of secrecy where a lack of accountability (at best) and the deliberate turning of a blind eye (at worst) facilitates aggressive tax avoidance (at best) or outright tax evasion and illicit behaviour (at worst). Banks may protest that they do not want such business, but they persistently demand secrecy, resist all measures to ensure the information they hold is made available to those investigating tax abuse and other crime and by their actions they make clear where they stand on this issue, and that is on the side of the abusers.

Diamond ignores all this. As a result I regret to say his article, and presumably the lecture from which it is drawn, is just a PR exercise that deliberately otherwise seeks to draw a veil over the real operations, duties and responsibilities of banks and how they fail to deliver on them.

As a result it's fair to say Diamond misses the mark on this issue by a mile. The case for reform of so many facets of banking remains compelling, and urgent and articles such as this only confirm that's true.