

Why we don't like bankers

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I did a tweet or two on bankers yesterday, and my twitter timeline got rather busy. People don't like bankers.

Now instinctively I do not feel uncomfortable with any group in society being picked upon; everyone has their merits, so in that case this herd instinct has to be justified. And as a group (but not as individuals) I think it can be.

You see, whilst High Street bankers very clearly add value to society by holding our money, providing liquidity and processing transactions, the same cannot be said for the bankers who attract ire and high salaries in equal amount. They, unlike their High Street colleagues, are not engaged in a process of value added. They are engaged in rent seeking.

Rent seeking is variously defined by economists depending upon political view, but broadly speaking it is the process of seeking to capture value created by others for your own personal gain. And that's what the investment banking community so clearly does. Because it handles vast amounts of money, and because it has created the means to generate vastly greater financial flows through the invention of derivatives, swaps and so many other essentially socially useless financial products, it has given itself the right to extract a small margin from each transaction it manages, whether of value or not. And those flows from which it extracts value are of other people's money at the end of the day, with the bankers taking their part without adding real benefit (as is all too obvious).

Rent seeking has always happened in society. It has always been resented, and with reason. And when rent seekers have displayed excessive zeal societies have always reacted against them. As we are now against bankers.

So people don't like bankers, with reason. And until bankers realise that they have to change their behaviour society will react against them, and the politicians who defend them. The Tories should take note. Defending the City right now is not a wide move when people instinctively but rightly realise that the game of

abuse it plays has to end.