

The Finance Curse: the new book from Nick Shaxson

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*Nick Shaxson, the author of *Treasure Islands* which is the most popular book on tax havens, has a new book out. This is the press release for [The Finance Curse](#):*

A new book by Nicholas Shaxson, entitled *The Finance Curse: How Global Finance is Making Us All Poorer* (11th Oct, The Bodley Head) has revealed that Britain's over-sized financial sector is **inflicting a huge cost on Britain's economy**, vastly overwhelming any jobs or tax benefits the City of London brings.

We all need finance, but only up to a point. Once a financial centre grows above its useful size and roles, it starts to become predatory and harms the economy that hosts it. This happens in many ways: an oversized City drains our best educated and most talented people out of manufacturing and other economic sectors, generates large economic distortions and financial crises, and many of its members focus on devising ever more creative ways to extract wealth from other parts of the economy. The **Finance Curse**, the product of five years of dedicated, original research, lays out in gripping and vivid detail how and why this happens.

New academic research published alongside this book has also produced the first ever numerical estimate for the scale of this damage. A new report ***The UK's Finance Curse? Costs and Processes*** by Andrew Baker of Sheffield University, Professor Gerald Epstein of the University of Massachusetts Amherst, and Juan Montecino of Columbia University, published by the Sheffield Political Economy Research Institute at the University of Sheffield, reveals that the UK has suffered a **£4.5 trillion cumulative cost in lost economic output from 1995-2015 — and counting. That is equivalent to a £170,000 loss per British household.** **The full academic paper can be found [here](#).**

The Finance Curse explains how and why the damage occurs. But it also contains an immensely positive message. By demolishing the idea that Britain needs to protect a "competitive" City of London in order to prosper as a nation, this opens up the possibility of taxing and appropriately regulating the City in the interests of society, with **no** economic penalty — with a net economic benefit, in fact. It reveals Brexit as a

once in a lifetime opportunity for Britain to revitalise both its democracy and its prosperity.

Nicholas Shaxson said:

"The City of London likes to describe itself as the goose that lays Britain's golden eggs, contributing jobs and tax revenues and export surpluses. But in reality, the costs of an oversized financial sector overwhelm these benefits. The City is in fact a different bird: a cuckoo in the nest, crowding out and killing other sectors which could have made Britain more prosperous."

Gerald Epstein said:

"As **The Finance Curse** brilliantly demonstrates, The United Kingdom has paid a high price for hosting the City of London in recent decades. Brexit creates a great opportunity to reform finance so that the City serves Britain, rather than the other way around."

Andrew Baker said:

"The finance curse is a hugely important idea. The data in our work suggests that past a certain point, finance can start to impede an economy's performance. But numbers can only tell us so much. A more pressing task is to get behind the numbers and investigate the true social costs of too much finance. The finance curse provides us with a framework for considering how finance might damage productivity and employment, cause instability and crisis, expand inequality, create problematic uneven geographies and change the political wiring of affected countries."

Notes to editors

The '**finance curse**' is a new framework for understanding politics and the economy, first developed by leading journalist Nicholas Shaxson, author of **Treasure Islands: Tax Havens and the Men Who Stole the World**; and by John Christensen, Director of the Tax Justice Network and the former economic adviser to the British tax haven of Jersey. The finance curse takes as a starting point the academic theory of the "resource curse" — where some countries abundant in natural resources actually experience slower economic growth, more corruption, more conflict and more authoritarian politics than their resource-poor peers. Countries dominated by oversized financial sectors suffer many similar problems, often for similar reasons, such as a 'brain drain' of talented people out of manufacturing and other sectors into lucrative jobs in finance; economic volatility and financial crises; a growing focus on wealth extraction rather than wealth creation, and a finance-driven distortion of markets and misallocation of resources. In Britain, for instance, only **3.5 percent of business lending goes to manufacturing — while over 75 percent goes back into finance, insurance and real estate.**

The Finance Curse book lays out the social, political, economic and above all human costs of this, in shocking detail. It weaves together tax havens, inequality, monopolies, too-big-to-fail banks, hedge funds and private equity, shadow banking, national ‘competitiveness,’ and more, into a single coherent package. The finance curse is a new prism through which to understand the economic world, and a basis for political change.

The ***new research*** published alongside the book builds on a 2016 document called ***Overcharged: the High Costs of High Finance***, by two US finance academics, Professor Gerald Epstein of the University of Massachusetts, and Juan Montecino of Columbia University. They drew on a growing strand of academic literature that has become known as “***Too Much Finance***”, and used mainstream techniques to estimate that the United States would have suffered a cumulative \$13-23 trillion in lost economic output from 1990-2023, as a result of its financial sector having grown beyond its useful size and roles. After meeting Shaxson and Christensen, Epstein and Montecino agreed to produce a similar estimate for Britain. They co-authored a paper with Andrew Baker of the Sheffield Political Economy Research Institute (SPERI) at Sheffield University, whose results are now ready to publish.

They reveal that Britain has potentially suffered a cumulative £4.5 trillion in lost economic output from 1995-2015 (and counting,) relative to how things might have been if the City had been operating at its optimal size and functions. This number is estimated by taking the long-term costs of the financial crisis to Britain’s economy, and adding the costs associated with a finance-driven distortion and misallocation of resources across the British economy (taking care to avoid double counting).

The various ways in which the finance curse works, and what we can do to stop it, can be found in Nicholas Shaxson’s forthcoming book, ***The Finance Curse***, published by The Bodley Head on 11th October 2018.

The full academic paper can be found [here](#).

Nicholas Shaxson is an investigative journalist with more than 25 years’ experience. He has written for the Financial Times, Vanity Fair, The Economist, The Guardian, the Washington Post, and many others. His first book ***Poisoned Wells***, about the Resource Curse in west Africa’s oil-rich nations, was published in 2007. His next book ***Treasure Islands***, a bestseller about tax havens, came out in 2010, to ***widespread acclaim***. ***The Finance Curse*** follows Shaxson’s realisation that many of the issues facing tax havens and financial centres were similar to those facing west Africa’s oil-rich countries. He began developing the idea with John Christensen, who had come to similar conclusions.