

Funding the Future

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The City of London claims it is the powerhouse of the UK economy. Rachel Reeves has called it our 'Jewel in the Crown'. But actually, it's much more like a parasite, extracting value from the rest of the economy for the advantage of a few at cost to most in this country.

https://www.youtube.com/watch?v=yZYXZR4AXSY&si=NbSF0JI0MxcTha_J

The audio version is here:

https://www.podbean.com/player-v2/?i=xfrrb-17553d9-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

What do the 678,000 people who work in the City of London do for us? It seems to me a pretty important question to ask because I don't really know the answer. What I do know is that according to latest data, [and I'm looking at it](#), there are 8,600 people who actually live in the City of London. And 678,000 people apparently work there, according to the City of London Corporation, which runs the administration of the City area, which is a very small part of London as a whole, remember.

So, what do those people do? Well, the City of London Corporation does actually provide some information. The number's gone up dramatically. It's actually increased by something like 20 per cent since 2019 - since Covid began. Over a hundred thousand more people are working in the City than were before. There is no obvious explanation for that.

What else do we know about what those people do? 32 per cent of them work in financial services. 25 per cent work in professional services. That is lawyers, accountants and other related activities. Fifteen per cent work in tech, supporting financial services and professional services. Twelve per cent are in support business services, running the properties, all the ancillary facilities that those people need, and 15 per cent are others, baristas in coffee shops and everything else that a large city requires to keep going. In fact, quite a lot of retailing, of course, because those people have money to spend, particularly in lunchtimes and after work, and therefore there are things for people to do in those retail activities.

So this is a population that is working very heavily in financial services and all support facilities.

It's a very male population. 62 per cent of the people who work in the City of London are male, and only 38 per cent are women. Guess what? The salaries are skewed that way.

It's a young population. 56 per cent of workers are under the age of 40, which is way out of line with the country as a whole.

It's a very well-paid population, although I don't have as clear data on that as I do on some of the other figures.

These are young, well-paid people.

Quite surprisingly, 32 per cent of them come from the European Economic Area, and they are not, therefore, here for the long term. 17 per cent, in fact, come from other areas outside Europe. Only 51 per cent are from the UK as a matter of origin.

So, it's a surprisingly diverse population that works there, which is not that surprising because very large numbers of the companies that work in the City of London are not UK-owned, so they are seconding staff from wherever they might be to work here temporarily before they return again. But what we end up with is a view of a place that is completely abnormal.

But that doesn't explain what they all do. According to the data, roughly, and again I'm going to look at some different information, one in every five financial services jobs in the UK is in that tiny area around the Bank of England.

Four in five are outside, and that's not too surprising. They are, if you could still find them, routine day-to-day bankers. They are accountants. They are lawyers who will do wills and conveyancing and everything like that, which is still very often considered to be financial services by the way.

So this is the oddity about the City. It does something different from financial services outside the City.

And that something different is that it manages vast amounts of money.

The amounts of money in question are staggering. They include pension funds. So, for example, the biggest pension fund manager in the UK is Blackrock Investment Management, based in the City of London. It has £92 billion under its management.

And there are plenty of other funds of the same size. The next biggest is one that is more familiar by name to many people, Legal and General. The point is, that most of what the City does is either manage other people's money or speculate with other people's money.

Because that is what the stock market is about.

That is what the future exchanges, which trade in all sorts of commodities, everything from copper to wheat to orange juice if you so wish, that's what they do.

There are shipping exchanges where you can hire any type of ship into the future.

There's the Lloyd's Insurance Market, which may underpin the car insurance policy that you've got, but might equally not, but which is a much more specialised financial services centre than is the standard insurance company.

Now, I'm not disputing that some of these things are of value. Maybe Lloyd's is.

Maybe it is worthwhile having a shipping exchange.

Maybe we do need to be able to trade, to some degree, commodities into the future.

But what we don't need to do is speculate in the way that we do.

It is thought that a hundred times the volume of real foreign exchange transactions are actually undertaken for the purposes of speculation alone.

There is vast amounts of trading that takes place on the London Stock Exchange every day that is purely for speculative reasons trying to make tiny profit margins out of literally dealing in billions of pounds worth of funds, all in the space of seconds in very many cases.

Vast numbers of very well people spend their lives setting up the tech to do this and then managing this and then glowing in the glory of supposedly having succeeded in doing this.

Does it matter? Does this add value to our society? I would beg to suggest it doesn't.

Lord Keynes, John Maynard Keynes, the greatest, in my opinion, economist of the 20th century, knew a lot about stock exchanges because he was actually a very successful

stock exchange investor. He reckoned that in reality, all the stock exchange investments that needed to take place every day could be done in a period of 10 minutes, after which the markets could be closed and the people engaged could do something more useful.

Is that still true, because he was talking in the 1930s? I don't know. We haven't extrapolated the data from then to now, but let's be clear. There are vastly more people working in the City now than there were then, and there's vastly more money engaged than there was then, because wealth has actually grown because of the scale of pension fund management that now exists. But I suspect that, in principle, he was right, and he still would be right. Because if we actually limited the activities of the City so that only those transactions that took place were those that were for the real benefit of society, and not purely for extracting rewards out of the money that had been entrusted to the care of the City itself, then we would need very many fewer people in that City, and very much less capacity within it, to undertake trades that are wholly unnecessary.

I can't tell you precisely how many of those six hundred and seventy-eight thousand people aren't needed in the City of London. But I can tell you it's a great many of them.

And I can tell you that they're very well paid.

And I can tell you that the only reason that they are very well paid is because they extract value from your savings, from our society, and from the way in which taxes should be paid but aren't as a consequence of their planning. And so much more besides.

They are fundamentally running a parasitical operation that extracts value rather than adds value. The city likes to claim that it adds £97 billion of value to the UK GDP, which actually isn't that big when the total UK GDP is over two and a half trillion, which is £2,500 billion, which puts the £97 billion in context. But, even if that was true, that they added £97 billion, they have not counted the negatives.

They've only counted how much they were paid to extract value, when in fact, if the resources, those young people, those able people, those well-paid people, were reallocated within our society, to do something that was much more useful - anything from teaching, to innovation, to managing services that provided care, or whatever it might be - we as a society would be much better off.

And that's my problem with the City. It just manages money. And managing money is overall a pretty useless activity. I'm not disputing that a bit needs to happen. We clearly need routine banking. We clearly do need, as I have said, insurance. We clearly do need some pension fund management, although, actually, not as much as you think, because most pension fund managers are pretty lousy at their jobs.

Instead, what we need are people doing real things that add real value for the benefit of real people, because we can't eat money, but we can consume care, and we can consume the well-being that is created by the added value of people doing something that is of benefit directly to improve the well-being of people in the UK.

I don't think the City's doing that.

We really do need to rethink what it's all about. Because instead of seeing it as Rachel Reeves does, as the hub and the jewel in the crown of the British economy - and she used that phrase, jewel in the crown, recently - I see it as a parasite, sitting on the back of the productive capacity of ordinary people in the UK who are having to suffer the consequence of this place extracting value from them.

It's time we reframed what we are about. And if we did, the UK economy might begin to behave like other economies do, which do not have this parasitic financial services sector. And we might all be better off as a result.