



New Internationalist

The people, the ideas, the action in the fight for global justice

Global Banks

New Internationalist Easier English
Ready Upper Intermediate Lesson



This lesson:

Quiz about global banks

Check quiz questions in **infographic**

Reading: a) scan for countries

b) detailed read for problems/solutions

Speaking - re-tell and discuss texts

Listening / watching YouTube clip

Writing – summarise the main ideas in the lesson
in tweets and bumper stickers



QUIZ - HOW MUCH DO YOU KNOW ABOUT GLOBAL BANKS?

1. How much money did the CEO of Goldman Sachs (US bank) earn in 2013?

- a) *\$2.6 million* b) *\$26 million* c) *\$260 million*

2. What % pay increase did the CEO of J P Morgan Chase (US bank) get in 2013? a) *7.4 %* b) *17.4%* c) *74%*

3. In which country do banks make the most profit?

- a) *the UK* b) *the US* c) *China*

4. Do the public think banks are now run

- a) *better than in the 1980s* b) *the same as in the 1980s*
c) *worse than in the 1980s*

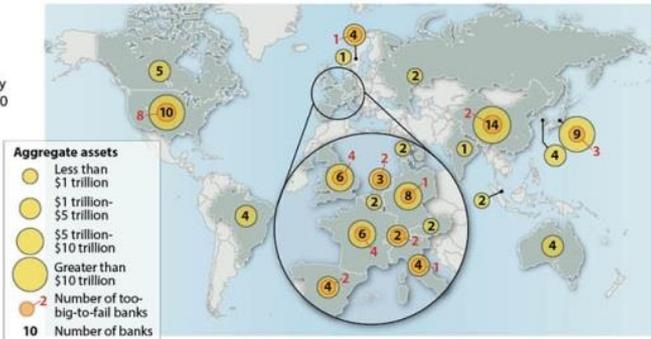
5. How many of the world's 100 biggest banks (at the end of 2013) were in Africa? a) *10* b) *5* c) *none*

BANKS – THE FACTS

Biggest 100'

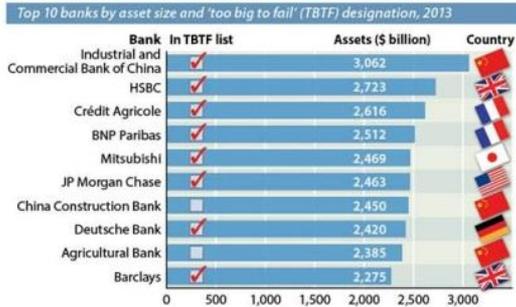
Of the world's 100 biggest banks at the end of 2013, none was in Africa – the only continent without one. Of 40 in Europe, 30 were based in the Eurozone.

China now has more big banks than the US. But of just 29 banks identified as 'systemic' or 'too big to fail' (TBTf) only 2 were in China.



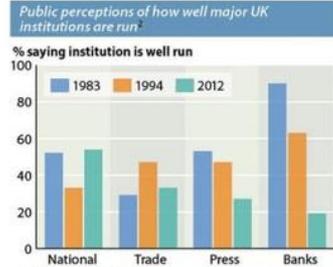
Top 10'

Of the top 10 banks by asset size at the end of 2013, three were in China but only one of these (the biggest of all) featured among the 29 on the TBTf list. Asset size does not always reflect the full extent of a bank's operations. It may exclude 'derivatives' or 'off balance sheet' activities. If these were added, the biggest bank would have been JP Morgan Chase in the US, which had derivative assets of \$1.2 trillion, bringing its total to \$3.7 trillion.



Trust

So deeply ingrained is sharp-practice in bankers' culture that it contributed to their collapse. As a result, public trust in banks has been in precipitate decline.



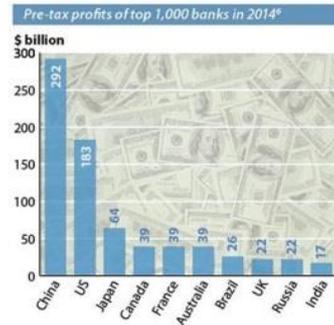
In the UK there were 2.4 million complaints against financial services firms in the first six months of 2014 alone. The big banks, headed by Barclays, and complaints about the Payment Protection Insurance (PPI) scam, accounted for a large proportion of complaints.³

Worldwide, banks' fines and legal settlements could eventually reach \$300 billion.⁴

Profits

In 2014 the world's top 1,000 banks made (pre-tax) profits approaching \$1 trillion. By comparison, the world's 'Big Five' oil corporations made \$93 billion (after tax) profits in 2013.⁵

Reflecting a shift away from Wall Street and the City of London, banks made the biggest profits in China, where pay and bonuses (though rising) are less than half the size. UK-based banks made less profit than those in Brazil. Indian banks joined in.



Subsidy

Banks receive huge hidden subsidies. The bigger the bank, the bigger the relative size of the subsidy. This is largely (though not exclusively) because financial markets just assume that the bigger the bank the more likely it is to be bailed out. This makes them less risky. So it costs them less (and governments more) to borrow – and encourages them to make riskier bets. So huge is this subsidy that it can account for their entire profits. After the 2008 meltdown several big banks merged and grew even bigger. Smaller, safer or more ethical banks are fatally disadvantaged.

Estimated annual TBTf subsidy, selected European countries and banks, 2010* (\$ billions)

Deutsche Bank	5.0	BNP Paribas	8.0
Commerzbank	17.1	Crédit Agricole	15.8
Landesbank Baden-Württemberg	12.3	Société Générale	6.9
DZ Bank	6.9	BPCE	30.9

Barclays	15.2	The IMF has estimated that in 2011-12 these subsidies were worth \$15-70 billion in the US, \$25-110 billion in Japan, \$20-110 billion in the UK, and \$90-300 billion in the euro area. ⁶
RBS	19.8	
Lloyds	9.9	
HSBC	22.2	

Bonus

Big bankers have rewarded themselves more handsomely than ever. In the UK attention has been focused on bonuses; in the US on pay.

Bonus Britain¹¹

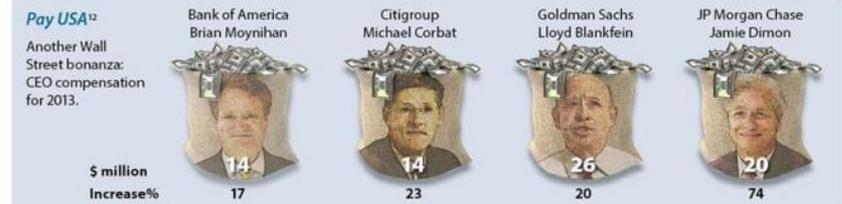
In the five years following the meltdown, bankers paid themselves more than twice as much in bonuses as they contributed in corporation tax.

Financial years 2008/9 to 2012/3

Bonuses

Corporation tax

\$billion
101.4
48.6



¹ SNL Financial, snl.com and Financial Stability Board, financialstabilityboard.org ² British Social Attitudes Survey, natcen.ac.uk ³ UK Financial Conduct Authority, fca.org.uk ⁴ Daily Telegraph 13 November 2014. ⁵ americanprogress.org ⁶ thebanker.com ⁷ New Economics Foundation, *Quid Pro Quo: addressing the privileges of the banking industry*, London, September 2011. ⁸ Cited in Peter Stalker, *The Money Crisis*, New Internationalist, Oxford (forthcoming September 2015). ⁹ bettermarkets.com *The Cost of the Wall Street-caused Financial Collapse*, 15 September 2012. ¹⁰ US Government Accountability Office, *Financial Crisis and Potential Impact of Dodd-Frank Act*, Washington DC, 2013. ¹¹ robinhoodtax.org.uk ¹² wsj.com

Cost

The costs of the crash cannot be counted in cash terms alone; they have also been paid in the currency of anxiety, insecurity, unemployment, poverty, lost life-chances and aspirations.

One detailed estimate for the US, made in 2012, provides a rough guide:

Cost of the crash to the American people* (\$ trillions)	
Cumulative gap between actual and potential GDP to 2018	7.6
Government deficit spending	5.2
Total	12.8

Some components:

50 government programmes to support financial sector (eventual out-of-pocket cost as yet unknown) **23.7**
Increase in national debt by 2018 **8.0**



Lost home equity, from 2006 peak through 2011 **7.0**
At least **3.7 million** homes foreclosed.

Including under-employed and discouraged workers, **17.5%** of Americans (26.9 million people) were out of work at the October 2009 peak.

The number of families falling below the poverty line rose from 12.5% in 2007 to 15.1% – over 46 million individuals – in 2011.

The US Government Accountability Office estimated in 2012 that the cost of the crisis to the US economy could turn out to be as high as \$10 trillion – more than \$30,000 per head of the population.¹⁰

Jigsaw reading: 2 groups, each reads a different text, then tells others in pairs



A The nonsense of the big banks

http://eewiki.newint.org/index.php/The_nonsense_of_the_big_banks

1/ Scan to note down all the countries or groups of countries mentioned

2/ Read in detail to note down all the problems with banks and all possible solutions

B The banks can do what they like and no-one can stop them

http://eewiki.newint.org/index.php/The_banks_can_do_what_they_like_and_no_one_can_stop_them

1/ Scan to note down all the (groups of) countries or nationalities mentioned.

2/ Read in detail to note down all the problems with banks and all possible solutions

Discussion

- 1) Get into pairs of A & B
- 2) Compare the list of countries from the article you read
- 3) Make a list of problems with banks and possible solutions from both your articles.
- 4) Decide which are the most serious problems and which are the most helpful possible solutions.



Artist Núria Güell got advice from an expert. She wrote to Jaime Giménez Arbe, a famous bank robber. He is now in prison for 47-year years.

Her plan is political art.

WHAT DO YOU THINK SHE DID?

She wants to expose the people she believes are responsible. Watch this 8-minute video to see:

<https://www.youtube.com/watch?v=PJHSJ85PcmY>

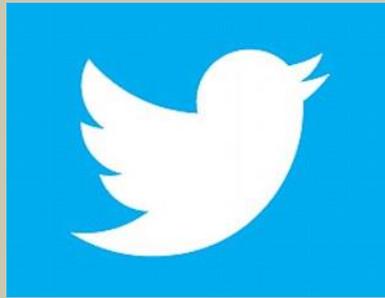
Make notes on:

- a) What Núria did
- b) How she did it
- c) Why she did it



Writing – summarise the ideas in this lesson – you have a choice of:

Tweets or
only 140
characters



And why not follow @EasierNewInt?

Bumper stickers
catchy short
phrase you could
put on the back of
a car



Homework:



- a) Read the other article you didn't read.
- b) Read the original version of both articles (link at the bottom of the Easier English article).
- c) Read more about banks from Easier English wiki – look up the category “banks”:

<http://eewiki.newint.org/index.php/Category:Banks>