

TAX JUSTICE FOCUS

The newsletter of the tax justice network

THE ILLS OF FINANCIAL DOMINANCE

Doreen Massey

The power of the financial sector in Britain has worked a transformation on the country's 'common sense'. A successful challenge will require a radical change to the language we use to describe our shared life.

Societies take different shapes in different eras. They are framed by distinct forms of economy, specific social and political arrangements, and particular common understandings of how the world works. These are expressed too in distinct geographies, which in turn feed back into the way in which the country develops.

Since the undermining of the social-democratic settlement of the post-war years, UK economy and society has been framed

by what we have come to call 'neoliberalism'. This was not inevitable; other alternatives were available; the victory of neoliberalism was an outcome of political and social contest.¹ And central to that victory, and to neoliberalism in its widest sense, was the triumph of finance. 'Finance', in the current era, is not just a sector of the economy; it is at the core of a new social settlement in which the fabric of our society and economy has been reworked. There is a long history in the UK of 'the City' having an important and

often harmful role, but this time is different. Finance and financialisation now mould our economy, geography, ideology and politics to a degree that is not only astonishing but deeply negative.

Some of the dismal results of this dominance at national level are well documented: the vicious exacerbation of economic inequality; the crowding-out of other sectors of the economy (far from being the golden goose, the dominance by finance makes life

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Crowding out productive enterprise in the City of London. Threadneedle Street, once teeming with small businesses specialising in the garment trade, now home to a very different kind of stitch-up. Image: Chris P Dunn, some rights reserved.

much more difficult for other sectors); the pervasiveness of individualism and competitive greed. But the way these things work out on the ground in different places highlights even more the contradictions inherent in this social settlement.²

London itself, the pinnacle of finance's success, is riven with contradictions. A city once known for its variety of small industries is seeing that rich ecology erased, especially in the area around the City, by the power of finance as it either buys up, or simply has the effect of raising the price of, land and property. Small companies,

perfectly viable in production terms, cannot survive – a real irony given the ritual political invocation of small businesses as the hope for the future.

London is also the most unequal city in the country, and this too produces problems. It exacerbates the poverty of the poor, especially through house prices. In its most bizarre recent manifestation local councils are 'decanting' their benefit-claiming poor to other regions. The whole social reproduction of the city is made more difficult.

“London, a city once known for its variety of small industries, is seeing that rich ecology erased”

Meanwhile 'the regions' also suffer from the dominance of finance. It is not only that this sector itself, and its wealth, are located in London. It is that its dominance of the national economy (and polity – see later) actively undermines regional growth.

Thus the City sucks in graduate labour from other regions, depriving them of a stratum from which economic growth might spring. (Meanwhile politicians castigate them for a lack of skills!) If the golden goose argument worked there'd be a geographical 'trickle-down' to the rest of the country. The truth is that the opposite happens. Meanwhile the degree of national inequality is exacerbated, through the regional dimension, as owner-occupiers in London and the South East 'make' more from increases in house-prices than they earn from their jobs.

One response from the London financial elite is that there is a fiscal transfer from London to the regions. Not only does this not address the dynamics of regional growth, it is a carefully calibrated fiction.³ It is a political slogan based on very narrow criteria, which fails to take account of a host of ways in which London (and finance specifically) benefit from national policy. And it provokes damaging antagonisms, dividing the nation on regional lines when hostility should really be addressed to finance and the super-rich.

So we have a dysfunctional capital city, ferocious inequalities both within that city and between a vortex of growth in the South East and a land often referred to as 'the Rest of the Country', and an economic path that is detrimental to balanced growth. And all these are problems arising, not from the crisis of finance and the way that has been addressed, but from its growth, its dominance. It is imperative that we construct a different settlement.

One reason this bizarre arrangement exists is that finance dominates not only the economy but also politics and ideology. Its political influence is widely documented, yet somehow unseen or simply accepted (compare with the outrage at any hint of influence by trades unions). Yet in fact it is extremely active: it funds endless research projects that confirm its status as the golden goose, it is seen as a source of unbiased expertise, there are revolving doors with government and it doesn't even have to 'lobby' very explicitly, since it is cosily part and parcel of the social world of the elites. Policies across the range reflect the interests of finance, whose upper échelons are at the core of an elite whose spatial concentration in the South East consolidates their mutual support. There is a grossly unequal geography, as well as class configuration, of democracy and of voice in this country. And the City puts in a lot of work to keep it thus.

“In this society that celebrates choice we are told there is no alternative”

Less routinely recognised is how ‘finance thinking’ has become hegemonic ideologically. Finance may be a global industry but part of its power lies in the fact that it is intimate too – it gets inside our heads.⁴ People from finance are interviewed as ‘experts’ in the media, as though they had no interests at stake. Economics is thus removed from political contestation. Competitive individualism is taken for granted. Distinctions are forgotten (erased) between earned and unearned, between value creation and value extraction (convenient, since finance’s growth has depended so much on the latter – hence the burgeoning inequality from which we began this thumb-nail sketch of the state of the nation). In this society that celebrates choice we are told there is no alternative. This truly is hegemonic common sense, and it is at this level that social settlements are consolidated. It is at this level, therefore, that a challenge must be launched. This means not just contesting individual policies and issues (though that must be done) but even more importantly challenging the whole framework, the very language, that has become our society’s common sense, and that both obscures the injustice that is being done and lulls us into acceptance that it is all inevitable.⁵

Moreover if this challenge is necessary because of the effects ‘at home’, it is equally so because of the UK’s role in the wider

world. As the Tax Justice Network has tirelessly pointed out, the existence of tax havens, and the practices of tax evasion and avoidance, are a means of redistribution from global poor to global rich and a key cause of world poverty. London’s finance sector is a prime node in these arrangements. Could we develop what I have called ‘a politics of place beyond place’, addressing our responsibilities for the global effects of our economy?⁶ Indeed the internal and external politics of place are linked – the poverty in London is an element in the same dynamics as the poverty in the global South. To take us back to the initial argument, London’s finance sector was one of the crucial birthplaces of, and is now a key place of diffusion of, global neoliberalism, with its practices of cutting back state services, privatisation and deregulation. These are among our main exports.

We are living a strange situation – a populace guided by a hegemonic discourse that prevents escape from neoliberalism and yet a wide range of disparate groups whose interests potentially range them against the dominance of finance. There has been an economic (financial) crisis, but the ideological carapace has not cracked. Is it possible to build alliances, perhaps as suggested in the *Green New Deal*, and to break out of the common sense of this finance-dominated social settlement?

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Endnotes

- ¹ See the Kilburn Manifesto: ‘After neoliberalism?’ by Stuart Hall, Doreen Massey and Michael Rustin. <http://www.lwbooks.co.uk/journals/soundings/manifesto>. Also in *Soundings*, 53, Spring 2013, pp. 8 – 22.
- ² For a fuller analysis see Doreen Massey (2010) *World City*, Polity Press.
- ³ See *World City* (note 2) and Nicholas Shaxson and John Christensen (2013) *The Finance Curse*, Tax Justice Network.
- ⁴ See Kilburn Manifesto (note 1).
- ⁵ This is what I have begun to do in Doreen Massey (2013) ‘Vocabularies of the Economy’ at the Kilburn Manifesto site, and in *Soundings*, 54, Summer 2013, pp. 9 – 22.
- ⁶ See *World City* (note 2).