UNISON Scotland welcomes the opportunity to respond to the call for evidence from the Economy, Energy and Tourism Committee’s inquiry into the implications of the recommendations of the final report of the Independent Commission on Banking. UNISON Scotland has over 160,000 members, the vast majority of whom work in the public and voluntary sector. UNISON members more so than most - certainly those responsible - are paying the price of the collapse of the banks, through job losses, pay cuts and the withdrawal and increased charges for the services that they and their family rely on.

It is our view that the proposals contained within the report are inadequate to the scale of the problems that the financial sector has caused the economy and society.

The commission state that

“It should not be the role of the state to run banks. In a market economy that is for the private sector disciplined by market forces.”

This is by no means self evident. It is one of the disappointing features of the Commission’s Report that not only do they not see public ownership as a desirable feature - they also fail to consider other forms of ownership. For example, co-operatives, mutualisation, ownership by communities, employees or even nationalisation, but none of these are considered.

Between 1986 and 2006 the return on banking shares moved from its historical norm of around 2% to around 16%. This does not reflect in any way the performance of - or investment in, the real economy. We note the study undertaken by Andrew Haldane Executive Director Financial Stability of the Bank of England where he points out that

“Since 2000, rising leverage fully accounts for movements in UK banks’ ROE [Return On Equity] – both the rise to around 24% in 2007 and the subsequent fall into negative territory in 2008.”

In other words, historically high profits (and remuneration enjoyed by bankers) has been the result of placing ever larger and riskier bets. We would argue that the there needs to be a shift in priority in the financial system - away from gambling on financial instruments towards investment in the real economy. To this end a Financial Transactions Tax (Robin Hood Tax) to deter short term speculative financial activity should be implemented

Restructuring of the financial system should be undertaken with the setting up of a Scottish Investment Bank and a post bank as part of the process.

We believe banks should be forced to back long-term social investment in housing, green technology and social care. Whilst we understand the need for banks to hold greater capital reserves, the re-building of their balance sheets should not come at the expense of investment.
We would argue that the failure by the commission to impose a greater degree of separation – in fact a complete split – between the retail and investment arms of banks is a failing. This split should be rigorous to maintain stability. The UK should impose an equivalent of the Glass–Steagall Act which governed US Banking before the crash.

The Commission’s suggestion that some of the largest and most powerful companies in the country, run by the most highly paid executives, need 8 years to implement reforms is insulting to workers in public services who are being asked to radically restructure vital services within a matter of months. There is no viable argument – save the protection of some of the richest people in the country – for such a delay. Meanwhile the general populace will remain exposed to the risks of – and continue to pay the price for – the anti-social excesses of investment banking.

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UNISON Scotland
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