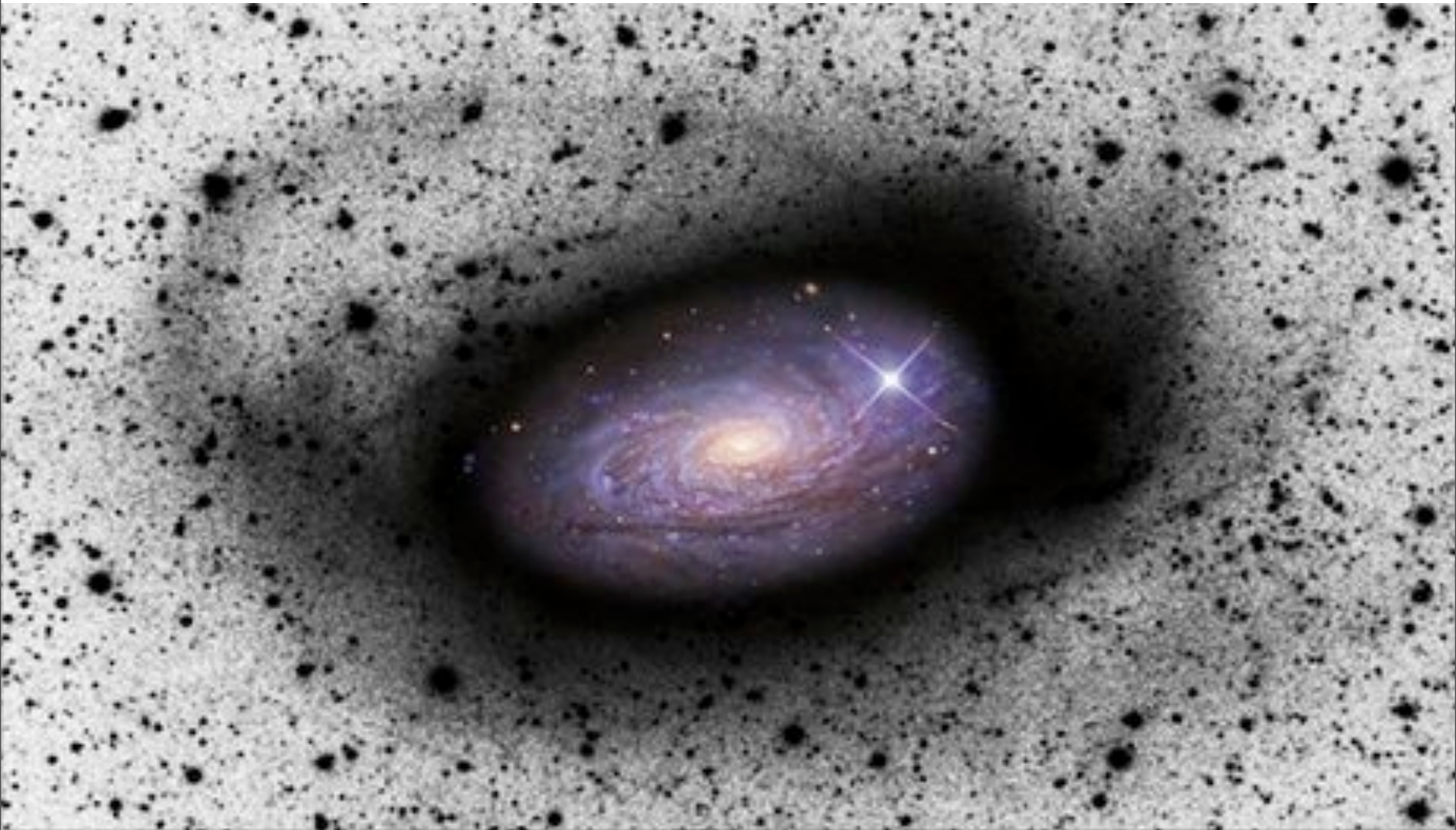


Socially Useful (Local) Banking

Tony Greenham, February 2011



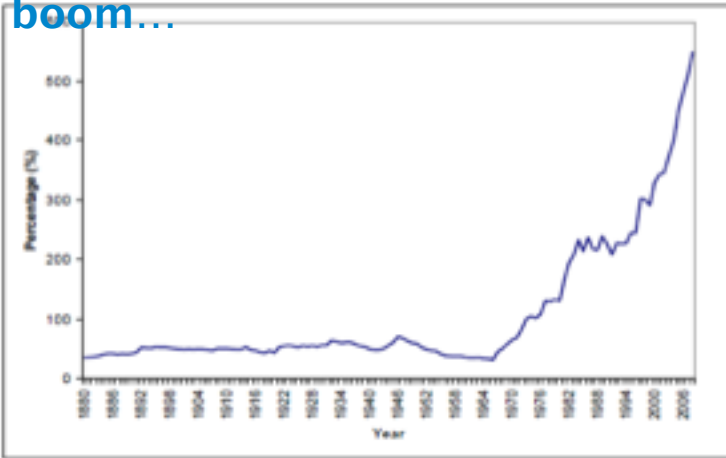
[nef](#) (the new economics foundation)

What do we need?

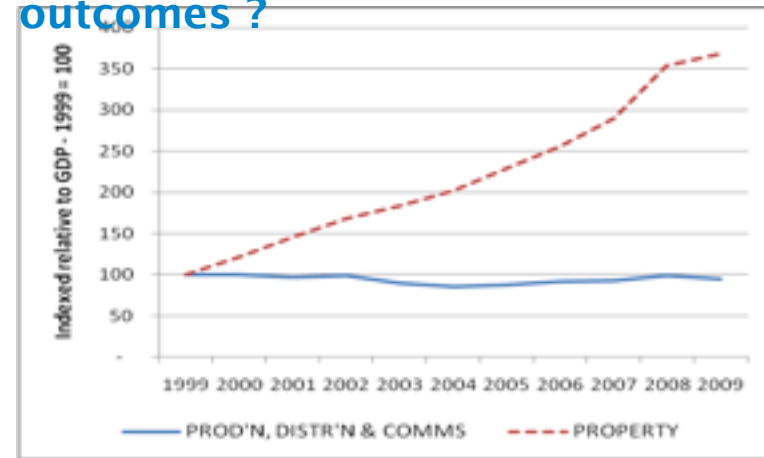
- Means of exchange
- Store of value
- Financial advice
- Asset building not debt dependency
- Pooling risk
- Capital allocation (time and space)
- Investment
 - Productive vs speculative
 - Cashflows vs assets
 - Judgement vs credit scoring

Nailing the free market myth

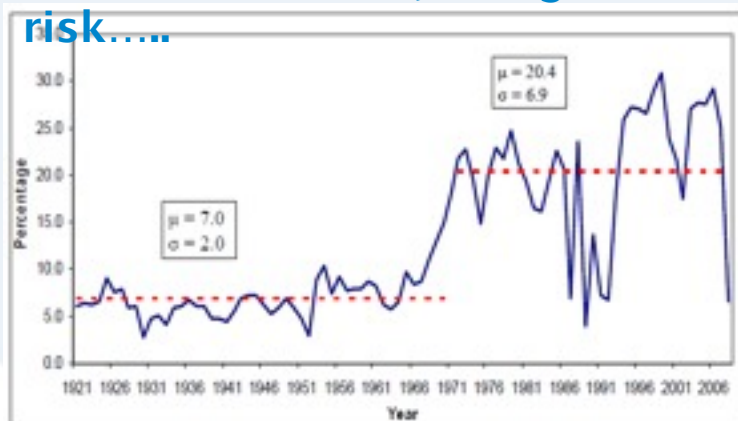
Deregulation starts the banking boom...



...but does this lead to optimal outcomes ?

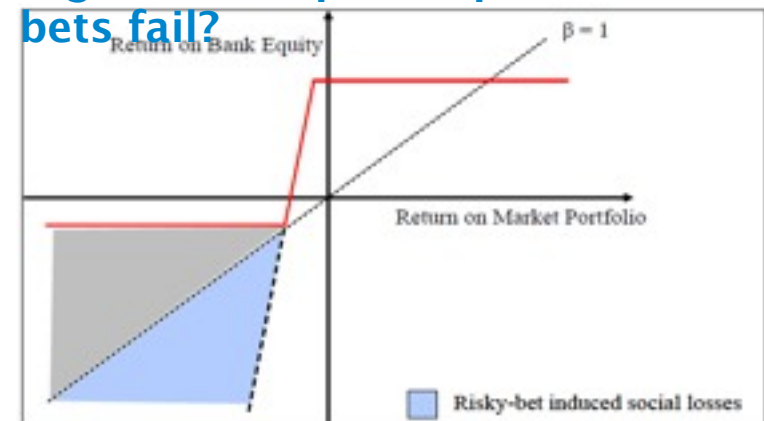


Bank returns soar, at higher risk.....



Source: Caglar, F. and Billings, M. (2004), BBA and Bank of England calculations.
 Note: There is a definitional change in the sample in 1967. The latter period has a slightly larger sample of banks and returns on equity are calculated somewhat differently, including being pre-tax.

... guess who picks up the tab when the bets fail?



From: 'BANKING ON THE STATE', Alessandri & Haldane, Bank of England (Nov 2009)

Interest rates still high

	Sep 2008	June 2010	Change
Bank rate	5	0.5	-4.5
Overdraft	9.9	8.1	-1.8
Credit cards	17.7	18.5	+0.8
Fixed rate loans	9.6	10.0	+0.6
Deposits	3.1	0.8	-2.3

Mortgages – higher deposits and higher rates

Businesses – no clear data, but rates for new business loans still high (compared with LIBOR)

Disappearing Banks

- Number of branches down 43% in 20 years
- Far lower than competitor nations
- Mirrored by staff cuts
- Shorter opening hours in branches that are left
- Centralised credit scoring has increased systemic risk and reduced the quality of lending decisions

Other models

- Complementary currencies
- Credit unions
 - 0.5% UK, 45% Ireland, 30% US, 20% Australia , 16% Canada
- CDFIs
- Peer to peer lending
- JAK bank
- Local authority banks / development funds
- Building societies !
- Local banks !

Community Banking Partnerships

