

## **Tsuda College The City, Big Bang & the Rise of the Banker Class (Part I)**

Contemporary British Society: Week 6

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1. Big Bang: Deregulation of the City of London & 'Casino Capitalism'
2. The City Boys: a totally new class of city operator: Nick Leeson & the Fall of Barings (& the new culture on Wall Street via CNBC & Jim Cramer)
3. The City of London: documentary film
4. What does the City mean to ordinary people in Britain? A housing odyssey in London [▶ Part II]

### **1. Big Bang: the Deregulation of 1986**

Wikipedia definition: "The phrase 'Big Bang', used in reference to the sudden deregulation of financial markets, was coined to describe measures, including abolition of fixed commission charges and of the distinction between stockjobbers and stockbrokers on the London Stock Exchange and change from open-outcry to electronic, screen-based trading, effected by Margaret Thatcher in 1986."

The day the London Stock Exchange's rules changed on 27 October 1986 was called "Big Bang" because of the increase in market activity expected from the change in the rules designed to alter the structure of the financial market.

Big Bang led to significant changes to the structure of the financial markets in London. Many of the old firms of stockbrokers were taken over by large banks, many foreign, and the huge change in city culture would lead to problems and the creation of the rather ineffectual Financial Services Authority.

Big Bang completely changed the culture of the City. Suddenly the City Gent with the pin-striped suit was out and the 'City Boy'.

In 1986 Margaret Thatcher argued that the City was dominated by an elitist network and that what London needed was a meritocracy: an elite based on merit, not class connections. What she did not foresee was that by opening the City of London up, Big Bang led to the rise of a new global financial elite who have dominated London and the British economy to a point where London is a playground for casino capitalists, crooks and a ruthless global financial culture.

It also had a huge effect on the lives of ordinary Londoners. I'll explain that in today's class.

Finally, the City effectively moved to Canary Wharf: the City was no longer in the old Square Mile below Fleet Street and St Paul's. The City was on the River Thames, on a converted wharf, open to the world, with all the benefits and most of the problems that went with open access. London and the UK were up for grabs.

Gordon Brown, speaking in 2011 at the Bretton Woods Conference, regretted

the changes made in 1986 as follows:

"We know in retrospect what we missed. We set up the Financial Services Authority (FSA) believing that the problem would come from the failure of an individual institution," he said. "So we created a monitoring system which was looking at individual institutions. **That was the big mistake.** We didn't understand how risk was spread across the system, we didn't understand the entanglements of different institutions with the other and we didn't understand even though we talked about it just how global things were, including a shadow banking system as well as a banking system. **That was our mistake,** but I'm afraid it was a mistake made by just about everybody who was in the regulatory business."

Here's an article about the change published in 2006 in the British newspaper *The Independent* (now owned by a member of the Russian oligarchy living in London, and published only online):

<http://www.independent.co.uk/news/business/analysis-and-features/the-day-big-bang-blasted-the-old-boys-into-oblivion-422005.html>

**2. The City Boys: a totally new class of city operator: Nick Leeson & the Fall of Barings (& the new culture on Wall Street via CNBC & Jim Cramer) here's the ultimate City Boy: Nick Leeson, who led to the fall of Baring's Bank and the loss of £800,000,000**

<https://www.youtube.com/watch?v=Va-QFGNDW6s>

**This is Jim Cramer on the Daily Show:**

<http://www.cc.com/video-clips/fttmoj/the-daily-show-with-jon-stewart-exclusive---jim-cramer-extended-interview-pt--1>

**3. BBC Documentary on the City of London**

Part 1 <https://www.youtube.com/watch?v=OD0lx9MKp7Q>

Part 2: <https://www.youtube.com/watch?v=zal-ToCjLQM>

**4. What does the City mean to ordinary people in Britain?**

**First: the city moved to Canary wharf:**

<https://www.youtube.com/watch?v=G-hOO6kbPFo>

**And the bankers moved into London and London property prices went up, and up and up and UP (▲)**

<https://www.youtube.com/watch?v=BoUaiUI9ZiA>

<https://www.youtube.com/watch?v=f1uedsPxdSU>

<https://www.youtube.com/watch?v=x2wyW1LsVfY>

and the same thing happened across Britain:

<https://www.youtube.com/watch?v=b5nheq44Uv4>

### **Housing and Big Bang**

The Price of the average London house has soared in the years since Big Bang. The people who work in the City have had an enormous effect on housing.

Ordinary families can no longer afford to live in London. London is for bankers, the old rich, the new rich, and wealthy foreign investors who buy property in London and leave it empty because, whatever happens, the value of London property will always increase.

For ordinary families, even those where the breadwinners are providing essential services to Londoners – teachers, nurses, doctors, dentists, the police, council workers, builders, local government staff, bank clerks – London is unaffordable.

There is no longer a housing safety net for Londoners. The Conservative Government's huge vote winner in 1980: The Housing Act, which gave secure council tenants the Right to Buy their homes at up to 60% discounts meant the end of social housing in the capital of the United Kingdom. The social consequences of the Housing Act are still being felt. But the most important, that ordinary families no longer belong in London, is something that will affect the fabric of British life.

We'll examine that later in Part II, on the search for a home in London. **GO TO ► PART II: A HOUSING ODYSSEY IN LONDON**