

STATE OF POWER 2019

Battling Bankers

Insights on financial power from the grassroots

Interview with Simona Levi, Alvin Mosioma and Joel Benjamin



Worldwide, countless activists are engaged in challenging unjust financial power on a daily basis. Few are financial experts or economists but citizens who through their struggles have gained an understanding of financial power that few academics can rival.

TNI had the privilege of talking to three warriors against the international banking cartel – a theatre director in Spain, a tax justice leader in Kenya and a local government campaigner in the UK – to hear about their struggles and the insights they have picked up that have relevance to all of us.



Simona Levi, a theatre director and performance artist, is based in Barcelona. With her small group Xnet, she succeeded in getting former IMF chief and Bankia executive Rato and 17 others sentenced to prison in 2018 for their financial crimes and role in Spain's economic crisis.



Alvin Mosioma is based in Nairobi and with others stopped a tax avoidance treaty between Kenya and Mauritius. He helped organise the first World Social Forum in Kenya and is the founding Executive Director of Tax Justice Network-Africa.



Joel Benjamin is based in London. His work with Debt Resistance UK has exposed a slew of toxic loans sold under false pretences to local authorities and has prompted major lawsuits, parliamentary enquiries and extensive media coverage.

What finance-related campaigns are you involved in right now?

Alvin: Our work revolves around how to ensure finance works for people. In other words ensuring that those who have higher incomes are contributing to social wellbeing and state services through taxation.

In terms of campaigns, there are two big ones we are focused on. In 2015, we launched a campaign, Stop the Bleeding, to focus on tax avoidance by transnational corporations. Our message was simple: the African continent is not poor, but it is being bled through the financial system that allows resources to flow out of continent.

We are also currently fighting against proposals to set up a Nairobi International Financial Centre. This is touted as Kenya's effort to take advantage of its strong financial position in Eastern Africa and to try to facilitate investment in region. There is a major risk of creating another tax haven like Mauritius and Dubai which would have negative impact on Kenya's economy and region. In fact, the main advisors for the project come from the City of London and from their pronouncements it is clear that is what they want to happen.

Joel: For the last five years, my main focus has been a campaign calling for a citizen debt audit of municipal finance. We are particularly looking at loans offering to municipal authorities, known as 'Lender Option, Borrower Option' loans or LOBO, which suitably stands for wolf in Spanish.

These expensive risky loans were mis-sold to local authorities claiming 220 victims and totaling £660 billion pounds of debt. They were very much a parallel to the sub-prime mortgage market

Simona: To bring down the bankers we created a platform called 15MparaRato. We launched our campaign in 2012 after the first bailout of banks in Spain. It was prompted by a graphic I saw in a newspaper that showed half of the bailout was going to just one bank, Bankia – €5 billion out of €10 billion – money that should have gone to welfare, to social needs.

The president of this bank was the former minister of economy and director of the IMF, Rodrigo Rato. We couldn't permit it. So we set out with four objectives. First, to recover money of bailout for those who lost their investments. Second, to bring those responsible to be brought to justice. Third, to end impunity for financial crimes. And fourth, to show that individuals responsible were not isolated criminals, but part of a system taking money from the people.

We launched our campaign without any evidence; just evidence of a bank bailout and the sure belief that the bankers were responsible. We demanded a legal investigation, initiated a lawsuit and started our own investigations by calling for crowdfunding and by providing a secure means for whistleblowers to provide evidence. Within a year we had clear evidence of falsified accounts and deliberate mis-selling of risky products to customers.

Tell us about your biggest successes to date. Why do you think you were successful?

Simona: Our campaign was very successful. It not only put Rodrigo Rato in prison along with 17 others, it has recovered money and showed people that this corruption was systemic. I think one clear tactical decision was to go for the people at the top, and not the bank itself.

Many activists said the crisis was the responsibility of the whole system. I agree it's important to keep the big picture always - because we all need a picture of the situation we find ourselves in - but we felt we needed to hone in on one person and that Rodrigo Rato was the ideal target.

Rato represented all the elements of the financial system - he was the director of the *Bankia* bank that was one of the first to be bailed out, a Minister for the Economy, a director of the IMF and he was part of the setting up of the scam to sell toxic financial products only to poor people.

He represented the revolving door between the public and private sphere, the system set up to rob us. He was frequently touted as a future prime minister, a personification of the 'Spanish miracle' touted by the Right so was the perfect connector/hub for unveiling this whole crisis.

So we focused the campaign on bringing him to justice. Some activists and mansplainers opposed us. But the art of war involves going for one winnable target at a time. First, because we have many enemies, so we have to be realistic. And second, because while we need analysis, we also need tactics and concrete targets, just as guerrilla movements do. Third because, as we proved, you go for one to get them all. We had over 60 people on trial from all the political parties, including Podemos.

Alvin: In terms of Kenya, one victory was when we went to court in 2014 to sue the government over its double tax agreement with Mauritius. This is an agreement signed by two countries that allows companies in two jurisdictions to not be taxed twice. What we realised is the way these agreements are crafted, it ends up often that companies are double non-taxed, in other words not paying tax in either countries.

So for example you may find a British company wanting to work in Kenya registers in Mauritius, so it appears as a Mauritius company which means it doesn't pay capital gains tax in Kenya, but in fact it's not collected in Mauritius either. The treaty was not just pushed by foreign investors but also the Kenyan business elite which would have allowed them to move their investments offshore.

Through our efforts, we stopped that treaty and helped expose the problem, assisted by the coverage that came out of the Panama Papers. It requires lots of education and training as financial issues are often quite complex. So we try to demystify it and identify particular opportunities for change depending on context, countries, constitutional arrangements, working through particular members of parliament, media and so on.

Joel: There have been many victories along the way and it has come in waves but I think the first big victory happened when the investigative TV series, C4 Dispatches, did a documentary in July 2015 on 'LOBO' bank loans. This led to a parliamentary inquiry into the issue, although this eventually wrapped up without any serious investigation or follow-up.

In February and March 2016 following publication of a joint letter signed by John McDonnell MP, Caroline Lucas MP and around 30 local government councillors, we got coverage in the *Financial Times*, *Evening Standard* and *The Independent* which led to calls for a Treasury select committee enquiry.

Another Eureka – more local – moment was when we decided to focus our attention on one of the poorest boroughs in the UK – Newham – which has very high rates of child poverty and social deprivation. Newham hosted the Olympic games in 2012, yet economic growth has completely passed the community by, in part because of the £80-90 million spent on interest payments a year servicing the council's loans. This was equivalent to 120% of what the city was able to raise with council taxes.

Our campaign tapped into Newham residents' observations on what was working and not working in the neighbourhoods. It cut through the complexity of the loans, with everyone able to see money going to banks with the public having no say on the loans. This led to an uptake in interest, invitations to meetings and local media coverage.

Our campaign worked with three councillors and after 3 years campaigning to challenge the Mayor's dire financial record, was a significant factor in replacing the mayor with Rokhsana Fiaz, the first elected BME woman mayor in London in May 2018, who vowed to take on the banks through the courts.

From your perspective and experience, what are the key pillars of financial power and why has it become so powerful?

Alvin: I think its power comes from how it permeates all sectors. We live in an age where everything has been financialised. So an oil or commodities trader is not just selling oil, but making more money through financialisation – bonds, derivatives and other instruments. Through clicks of buttons, people are making major decisions that affect everyone.

It makes the financial sector prone to abuse and very powerful as we saw so clearly in the crisis after 2008. Its power also comes from how it is organised globally and concentrated power and interests. The banking sector is oligopolistic, which has given it huge power to determine policy direction and not for the public good.

You see that in the revolving door between finance and government. Business executives enter politics and then head back out into business sector, which has led to a huge intermingling of power between corporate sector and politics, leaving citizens' interests out of the picture.

Simona: I am a good campaigner but not an expert on finance. The national context though does shape how you can fight. In Spain, corruption is very clearly embedded within political parties including left parties – a mafia-type politics – but is not embedded within the population. In Italy, by contrast, corruption functions more like an ecosystem in which many more people can benefit. Politicians will try to involve people to tie them into the power structures.

But in both places, financial power is based on an extractive relationship which treats people as primary materials and which funnels money to the revolving cupola of finance and political power.

Bankia – Rodrigo Rato's bank in Spain is a typical example. It is a hybrid private-public financial institution which includes political representatives and half of its money goes to politicians. It operates like a mafia and I don't mean that as a metaphor.

Joel: The political power that finance has is key. The City of London has several hundred lobbyists constantly promoting their interests. This compares with NGOs who only have a few staff. There is no parity. There is a constantly revolving door between audit firms, banks, politics and media.

Take Rona Fairhead for example. She was a director at HSBC bank, then became chair of the BBC Trust and is now a government minister of trade. Her route was not unusual from banking to media as it enabled banking interests to defend financial services at a time they were publicly toxic. It is an issue of elite interests protecting elite interests.

Big banks have a captive market that ensnares politicians, media and auditors alike. Auditors for example get more money from auditing banks than councils, and more from advising on tax evasion than auditing company accounts. Public officials not only are deeply embedded with the financial sector where even the auditors are complicit, but don't want to admit responsibility and mistakes. So no-one is prepared to say we have a problem, being more concerned with reputation than protecting and serving the public interest.

It meant that in the 2015 General Elections, seven years after the financial crisis, not one political party in the UK was yet talking seriously about policies for financial reform. It is a closed shop.

So we have been forced to use every tool at our disposal to break this power – our own citizen audits, social media, parliamentary allies and so on. We get moments of media interest and progress, then the door is slammed shut again.

How as activists do we deal with the complexity and opacity of finance?

Alvin: Opacity and secrecy is the lifeblood of current financial system. I believe the complex tools that only insiders understand is a deliberate effort to avoid regulation. But the question is not only how to regulate them but also the political will to do so.

If you look at the US, how finance and money dominates elections and shaping the ability to regulate, you see where this is going and we see it across Africa. The revolving door and the financial-political oligopoly are becoming more entrenched.

How you overcome that is the million-dollar question. But if opacity is at the heart of the system, one key response is shedding more light on the dark rooms and murky waters of finance. So transparency is instrumental and key.

There are simple solutions with powerful effects like requiring companies to make their ownership structures publicly available so we can see who is benefiting. We can also invest in institutional strengthening of regulatory authorities that provide oversight, whether they are parliamentary committees, regulatory authorities or offices of auditor general. The trouble here is that these are often shooting at a moving target, as financiers hire the best brains to escape regulation so we are always playing catch-up.

Simona: I know nothing about finance, but this is not a system that we can't understand. In fact most of the people who were siphoning off the wealth understand even less. In Spain, you only have to be born into a banking family to be a banker.

In 2013, as part of the investigation, we got a leak of 8000 emails, the so-called 'Blesa Black Card' emails which showed that bank executives used corporate credit cards not only for lavish goods and holidays, but also to pay off politicians and trade union leaders from every party and sector.

They also showed that many bank executives don't even properly understand balances. And they were blind to the crisis they were creating. Again in the "Blesa emails", you can barely find references to the word 'crisis'. You would hear it more in one hour in any bar in Spain than in their own conversations.

We have recently done a play where we just reuse the words in those emails, which has been watched by over tens of thousands of people. And even if we have different levels of knowledge, no-one has a problem understanding what happened.

Joel: I was not a financial expert either. I had to educate myself on loans and lending. I was assisted by financial experts who gave their time providing advice. This helped us get past the initial stage where we were just fishing for information without knowing exactly what we should ask for.

It took 6 months experimentation and trial-and-error before we knew the key questions to ask in our Freedom of Information requests. But once we had these, we were able to start obtaining and publishing bank loan contracts in an open source database and the findings eventually coalesced into a campaign in 2014 by Debt Resistance UK.

Why have we failed to rein in financial power, even after the 2008 crisis? Where should activists focus their efforts?

Alvin: I think the reason why the financial system has continued as it did, is because we didn't disrupt the power dynamics that informs policy direction. We didn't break the incestuous relationship between finance and politics. That needs to be our focus.

If you look at countries where finance has less of a hold over politics and policy, it is where the relationship is more separated. We need to try as much as possible to separate these two entities, to weaken their power of organising. That involves working on agenda of stopping 'too big to fail' banks, for example, or preventing politicians working in private sector for periods of time prior to or after political office, making it mandatory for political parties to reveal their financing.

Without weakening their hold on politics, we have a very poor chance in Africa or globally.

Joel: One game-changer could be citizens winning the right to access and review any contracts signed with state. This could lead to changes in auditing companies, start to challenge outsourcing (which goes hand-in-hand with financialisation), and start to confront the power of large monopolies. We have an opportunity - given the high profile failures of audit companies, for example in the recent case in the UK of Carillion - to push for these kind of changes.

Another issue that needs to be on the radar is the application and enforcement of the EU duty of good faith, which should be imposed on all dealings between financial firms and clients given the history of mis-selling. London is a global power in finance, and people wrongly assume that products sold here are sold in good faith, but legally all responsibility lies with the buyer. It's a perfect system for financiers to abuse less powerful and knowledgeable clients.

Until we have equality of law and can assert peoples' rights on finance, abuses will continue.

Simona: We need first to dismantle the format and architecture of political parties. All of the parties including Podemos are clientelistic and disempower people, asking support in return for favours. If we insist on an intermediary between *demos* and power, democracy won't improve and will always remain a traffic in influences.

We also must advance a plan for citizens' control of financial flows. Introduce a system of transparent democracy into our financial system to allow a peer control of financial flows. There are some important campaigns in this area looking at how wealth, such as flows going to transnational corporations should have the same controls and transparency as states and localities in their management of financial resources.

In fighting for these things, we must also be more astute and less naive. There is a big lie in social movements that 'United, people won't be defeated' but the truth is that as we get bigger and unite with others we always get defeated. Unity ends up polluting movements, destroying projects, leading to platforms that are 90% junk and shit. It is far better to work in small groups, to be wise, to always collaborate but never unite until you are sure of unanimity. We must destroy the myth of unity, which nearly always ends in divorce and nothing else.

How can finance be changed so it really serves people and planet?

Alvin: We need to re-imagine the role of state, the role of business. We have to turn the neoliberal idea that states are there to serve business on its head. Business is there to serve humanity. This requires a total paradigm shift.

We have not been bold enough, perhaps because after the collapse of the USSR and the triumph of the capitalist order, we became resigned to the narrative of there being 'no alternative'. And we have seen countries that tried to re-imagine face a big backlash because of the huge power of capital over politics.

But until we change the narrative and imagine a reconfigured global system designed to serve humanity (rather than business) we will be tinkering at the edges. Perhaps moving two steps forward sometimes, but then five steps back.

Perhaps this won't happen until we have another even bigger crisis. But I also see signs of change. Even among institutions that have been standard bearers of neoliberal thinking, such as the IMF and World Bank, there seems to be a realisation at the costs of the system. They are being forced to talk in a new language. It gives me hope that there is light at the end of the tunnel.

INTERVIEWEES: Simona Levi, Alvin Mosioma and Joel Benjamin

EDITORS: Nick Buxton and Deborah Eade

COVER ILLUSTRATION: Orijit Sen

DESIGN: Evan Clayburg

Published by Transnational Institute – www.TNI.org

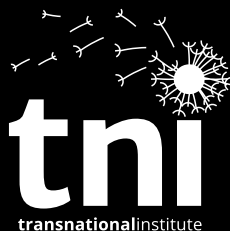
Contents of the report may be quoted or reproduced for non-commercial purposes, provided that the source of information is properly cited. TNI would appreciate receiving a copy or link of the text in which this document is used or cited. Please note that for some images the copyright may lie elsewhere and copyright conditions of those images should be based on the copyright terms of the original source.

<http://www.tni.org/copyright>

STATE OF POWER 2019: FINANCE

TNI's eighth flagship State of Power report examines through essays and infographics the varied dimensions and dynamics of financial power, and how popular movements might regain control over money and finance.

For the full report and for previous editions of State of Power visit: tni.org/stateofpower



The Transnational Institute (TNI) is an international research and advocacy institute committed to building a just, democratic and sustainable planet. For more than 40 years, TNI has served as a unique nexus between social movements, engaged scholars and policy makers.

www.TNI.org