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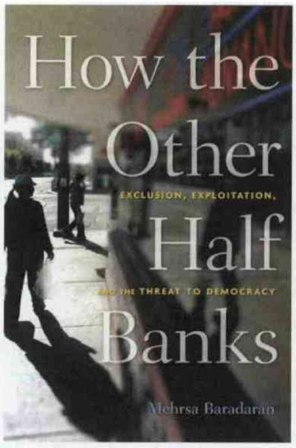
But don't bank on it



TITLE
How the other half banks

AUTHOR
Mehrsa Baradaran

PUBLISHER
Harvard University Press (£22.95)

The title says it all: this is a book about the failure of the mainstream financial industry in the US to provide basic financial services to the "poor", to smaller rural communities, to immigrants and to marginalised groups more generally. It offers a broad historical sweep, beginning with the two different visions of banking offered by Jefferson (agrarian, small-scale, local) and Hamilton (urban, centralised, government-controlled), all the way through to Glass-Steagall, Gramm-Leach-Bliley and Dodd-Frank. Its heart is firmly on the Jeffersonian left – endorsing, if you like, the George Bailey figure in *It's a Wonderful Life*, rather than Mr Potter. But, in the end, the author is a realist, not a fantasist.

As she puts it, "lending to the poor is unprofitable" – and those who, over the past 200 years, have tried to make a profitable business out of doing it fairly have failed. Or, as in the case of the burgeoning payday loan industry, which is an even bigger problem in the US than it is in the UK, they have moved from banking into usury and outright loan-sharking.

Equally, as in the case of the credit unions, they may have been tempted away from the common bond and sense of social mission to become little more than just another High Street/Main Street bank, concentrating on wealthier clients and more sophisticated products that can turn them a buck.

Baradaran is not your run-of-the-mill financial writer. An Iranian immigrant to the US, she is an associate professor of law at the University of Georgia, having practised at Davis Polk in New York. She is also apparently an observant Mormon – which is not irrelevant, given Mormonism's agrarian/rural heritage. But it is odd.

What is less odd is that she is clearly very much in thrall to the ideas being put forward by another US law professor, Harvard's Elizabeth Warren – now the senior senator from Massachusetts. Warren is an enormously influential figure on the left of US politics – and is, indeed, a plausible presidential candidate if Hillary Clinton stumbles. She was also the brains behind the Consumer Financial Protection Bureau and is generally the *bête noire* of the mainstream US banking industry – arguing forcibly that banks and bankers exploited the system to avoid the consequences of their folly (or worse) during the financial crisis.

Warren gets effusive thanks from Baradaran for her help and example, and there seems little doubt (to me) that her analysis – if not her conclusion – is straight out of the senator's playbook. Hence the author's outrage that "not one Wall Street banker has spent a single day in prison" as a result of his/her actions during the financial crisis. Hence, equally, the assertion that payday lenders are "a cancer eating away at our democracy" – backed up by the fascinating factoid that "there are more payday lender storefronts than [branches of] Starbucks and McDonalds combined".

What I think is genuinely new or, if not new, at least useful, is the insight that mainstream banking in the US has never been a free market activity. The banks have always been "heavily subsidised, exclusionary and (politically) powerful" and their attacks on government efforts to control the credit market (eg by expanding Fannie and Freddie or by pushing through the much-loathed Community Reinvestment Act), reek of hypocrisy. There is, therefore, nothing wrong – or, at least, nothing new – about giving some kind of a leg-up to institutions that do have a social mission, and that do try to bring the "great unbanked" (70 million in the US, spending $84bn a year on financial services, she says, though that seems like an exaggeration), into the mainstream.

Here, I would like to insert my own two-penn'orth. If, as it seems to me, the cost of keeping someone outside the formal banking sector – in terms of tax foregone, a propensity towards familial criminality, etc – is several hundred pounds a year, it would make fiscal as well as social sense to subsidise institutions, whatever they are, that bring the unbanked into the system. See it as "bounty", if you like. Pay credit unions or CDFIs, or even High Street banks, £100-200 for every customer they sign up who is, say, over 30 and can demonstrate that he/she has not had a bank account for at least five years.

> Mainstream banking in the US has never been a free market activity

Barabaran takes a somewhat different line. Her solution is to reactivate the US Postal Service's savings scheme so that it provides a basic, low-cost banking structure across the country through its thousands of branches, which are often the last public institutions in rural and low-income immigrant communities. As she points out, post offices have scale, they also have relevant skills and, particularly in rural areas, they know their clients. And, since the US Postal Service is still a government body, it would have the considerable advantage of not having to pay FDIC insurance fees.

Obviously, the situation in the UK is different. However, the Post Office itself remains a government entity, even if Royal Mail has been privatised. It also offers financial services through Post Office Money, although that is really just a front for Bank of Ireland products. And it offers a card account tied to benefit payments. That is fine, as far as it goes. But it does not lever the advantage

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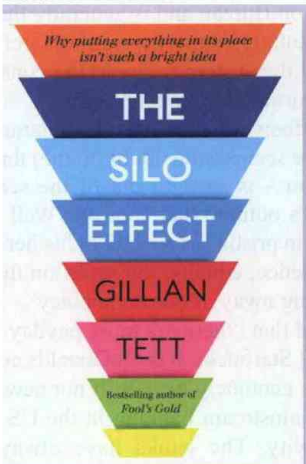
provided by the PO's national network, and it does not use local knowledge to underpin small-scale lending, the sort of lending that Baradaran advocates for the US.

Could her recommendations work here? UK village post offices are very different from the US Postal Service, and it is hard to see how those who run them could make credit judgments. But the idea of using existing public sector networks (libraries, perhaps) to offer subsidised financial services to the currently unbanked is not one that we, or mainstream banks, should turn up our noses at.

Andrew Hilton



TITLE
The silo effect

AUTHOR
Gillian Tett

PUBLISHER
Little Brown (£13.60)

I came to this book full of admiration for Gillian Tett, a fellow anthropologist who is also an award-winning financial journalist and the US managing editor of the *Financial Times*. She is one of a number of female anthropologists of US and UK financial institutions who have expert knowledge and provide profound insights into the way these institutions operate. She acknowledges the others while making her own contribution.

Here she produces studies not only of financial institutions but of many types of firm. There are chapters on Facebook, the huge Cleveland Clinic hospital complex, Chicago's police force and the government of New York City as examples of silo-busting by large organisations. Tett conducted something like the total immersion, long-term fieldwork that characterises anthropology for her book on JPMorgan Chase, *Fool's Gold*. But all the chapters of this book are the result of good journalism, not of anthropological immersion.

Tett describes her current occupation as a speed-dating version of anthropology, yet, at the same time, adopting anthropology as a mindset is her main recommendation to those who would break down the harmful effects of silos and silo mentality. "Silos" and "silo-busting" are common management idioms but, as with all the jargon or technical terms she uses, such as securitisation, they are clearly defined.

You can see why she is such a good journalist from the way she writes each chapter as an engaging story and a pointed lesson.

The mindset she advises for silo-busting is that of being an insider-outsider. Her exemplar is the anthropologist Pierre Bourdieu, whom she introduces at the beginning of the book. He studied the Kabyle in Algeria, during the war of liberation, with a local sociologist, Abdelmalek Sayad. Then, back in France, he asked Sayad to help him study his own home village in the Pyrenees.

Through such immersion in a foreign culture, anthropologists notice what the locals take for natural, see what they do not even notice and about which they are silent and, above all, find discrepancies between what they say they are doing and what they actually do. They reverse the same gaze to see such discrepancies in their own cultures and civilisations.

The fundamental issue for Tett is the way people habitually classify their world and how they draw boundaries of divisions of labour with taboos and status hierarchies. These include the incentive rewards of keeping the system as it is, stubbornly ignoring the overlaps and underlaps and the blurrings of the boundaries upon which the system depends, the underplaying of which threatens the system. When such specialisation silos become rigid, they can cause a company to suffer large creative and financial loss. Sony and JPMorgan are two of her examples of this.

Such loss could have been avoided, Tett argues, by bringing in an outsider, or by encouraging a constant internal communication across boundaries to encourage exchanges of expertise, by translation from one silo to another, just as anthropologists engage in cultural comparison and translation. The chapters in the second part of the book provide illustrative examples of doing this. Many of the silo-busting examples she gives are based on the combination of information silos, with only a few on rethinking and reorganising the world of the institution in question.

Anyone familiar with anthropology will notice a huge discrepancy between Tett's project for large organisations and what anthropologists do. No anthropologist sets about recommending a restructuring and busting of cultural systems of classification. We note instead that no culture is so information- and skills-based, or so rigid, as the examples of organisations given in *The Silo Effect*. We are also aware that change is, in any case, already underway, endogenously as well as exogenously induced.

What Tett proposes owes more to management consultancy than to anthropological practice. Consultants and managers, compelled by competition and the need to innovate and driven by financial measures of success, and advising governments that follow this practice, are always on the lookout for managerial renovation. Sometimes this is for good reasons, such as encouraging creativity and solving problems. Sometimes it is for bad,

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such as their own wish to make a mark.

Not seeing this discrepancy is Tett's own blind spot. She has written as an anthropologically inclined management consultant. But I am still an admirer.

Stephan Feuchtwang

Each chapter is written as a good story and a good lesson