

Roberts, Richard and David Kynaston. *The Lion Wakes: A Modern History of HSBC*. London: Profile Books, 2015. 768 Pp.

This handsome, substantial, and highly readable volume tells the story of how a bank dominant in a relatively small market, but with a modest international footprint, rose to global significance over 30 years. HSBC commissioned this history for its 150<sup>th</sup> anniversary. The authors, both eminent British financial historians, have collaborated on previous books, and started this project in 2006. Frank King has addressed HSBC's first 115 years fully in a four-volume series and an earlier book (King, 1983, 1987-1991). This book focuses almost exclusively on the period from 1980 to 2011. A brief first part sets the scene and draws on interviews conducted by King. The following three parts, each consisting of an overview chapter followed by several thematic chapters, cover specific periods: part two, 1980-1992 (in 115 pages); part three, 1992-2002 (235 pages); and part four, 2002-2011 (200 pages). A short postscript covers the years 2011 to 2014, followed by 50 pages of notes and a 40-page index. The book is lavishly illustrated, with over 130 photographs. In contrast, there are only five charts and 10 tables, most of which are simple.

As a commissioned history, archival access was greater than academic researchers usually enjoy. The authors have synthesised an enormous volume of such material, plus media reports, commentaries, and interviews with HSBC insiders and others, the list of whom occupies a full page. Remarkably, there are even references to internal e-mails. This level of detail will provide a valuable resource for future researchers.

HSBC grew from 23,000 employees and representation in 53 countries and territories in 1979 to peaks of 330,000 and 88 in 2007 and 2008 respectively, with headcount doubling at least every ten years in the three decades before the global financial crisis (p. 665). In that time, it had climbed from the world's 75<sup>th</sup> largest bank by total assets to fourth largest (p. 646), becoming firmly established among the world's Global Systemically Important Banks (Financial Stability Board, 2016). In 1992, it fulfilled the aspiration of Michael Sandberg, chairman from 1977 to 1986, for a "three-legged stool": significant representation in North

America, Asia and Europe (p. 89). It acquired the Midland, one of the four major commercial banks in the UK, which HSBC regarded as Europe's most attractive banking market. A 1981 effort to acquire the Royal Bank of Scotland had foundered on competition concerns and opposition from the Bank of England and the "Scottish lobby." The British government permitted the Midland acquisition only on the condition that HSBC relocate its group holding company headquarters to London. This move took place only five years before an event that overshadows the book, Britain's return to China of colonial Hong Kong, a market that throughout this history remained one of HSBC's largest and most consistently profitable.

Although essentially a regional bank at the beginning of this story, HSBC already had some of the building blocks for expansion in place. Its culture was changing, with more diverse recruitment and "Asianisation" in its businesses, and Sandberg had a strong affinity with Hong Kong's Chinese businessmen. He and his successors as chairman (Willie Purves, 1986 to 1998; John Bond, 1998 to 2006; Stephen Green, 2006 to 2011; and Douglas Flint, 2011 to date) were all long-serving insiders, several as chief executive, which contravened UK corporate governance principles but provided management continuity. Noting that as the labor force diversified, senior management remained predominantly white, British, conservative but growth-oriented, the authors explore the apparent paradox of a conservatively-run bank which made bold expansionary moves.

HSBC was typically opportunistic, appreciating that the problems of targets opened doors that might otherwise have remained closed. It usually clearly understood the deficiencies of its significant acquisitions. Thus, several (notably the New York state bank Marine Midland, the UK's Midland, and Mexico's Bital) were turned around within a few years, normally by managers from its cadre of "mobile and adaptable" International Officers (later International Managers) who were thoroughly immersed in HSBC's ways of operating (p. 363). The layer of long-serving senior managers became more thinly spread as the group expanded, challenging its ability to integrate its acquisitions effectively. Although there were restructurings and redundancies, customers, regulators and many employees welcomed HSBC's acquisitions, which promised

stability and better management when integrated into the wider group. There were notable exceptions to this pattern, one being the acquisition of the French commercial bank CCF in 2000, which approached HSBC after rejecting a brusque proposition from its Dutch minority shareholder ING. Another was the expansion of the group's investment banking activities in the early 2000s through hiring, with potential acquisitions considered too expensive and investment bankers too disloyal to new owners.

HSBC did not seek size for its own sake, and declined a large number of potential investment and merger opportunities. The authors give limited details of these, understandably concentrating on the many deals that were actually consummated, most of which proved sound. The least successful was that of the large US consumer finance business Household, which HSBC improved and professionalized, but could not effectively internationalize its model; this project was in serious difficulties even before the global financial crisis.

HSBC fared much better than many other large banks during this crisis, needing no government bailouts as it attracted funds from weaker institutions in a "flight to quality." There were good reasons for this: the problems at Household had sensitized the group to approaching crisis, its senior management had dealt with earlier crises in south-east Asia (1997-1998) and Argentina (2001-2002), it was much less involved in the structured products arena than many of its rivals, and the "bonus culture" leading to excessive risk-taking had less influence than in many banks, although this was strongest in the group's two greatest problem areas of Household and Mexico. The group managed itself conservatively as the crisis unfolded, further building its traditionally high levels of liquidity and scaling back its counterparty exposures.

HSBC could legitimately claim to be "the world's local bank" (p. 440). Yet the authors do not question sufficiently whether this status was desirable, although they fully recognize the strains that growth placed on the group's culture. The authors quote Flint's comment that HSBC was "big enough to cope" rather than "too big to fail" (p. 624). Yet arguably it was "too big to manage", evidenced by the post-financial crisis misconduct investigations and settlements in relation to money laundering and violation of US sanctions which led to significant financial penalties and reputational damage, and appear to have resulted from a failure to

resource risk management and compliance adequately (pp. 629-635). The post-crisis adjustment was incomplete at the time of publication, but the group has refocused its activities, including the sale of its Brazilian operations in 2016, and, notwithstanding outstanding lawsuits likely to result in further billion-dollar settlements, its financial and competitive positions remain very strong.

Generally, this is a fine book but suffers from a few shortcomings. It should be easier to form an overall picture of the group and its performance. There is no comprehensive listing of changes in group structure. Performance statistics are frequently but selectively mentioned. Occasional interesting comparisons to other major banks are made, but there is no systematic effort to do this or analyse financial performance over time as, for example, Geoffrey Jones (1993) attempted. The book hints at, but does not explore, some wider themes in banking. An example is the decline of branch banking; the network of HSBC's UK operation has declined from nearly 2,500 branches in 1980 (before HSBC's ownership) to around 1,750 in 1992 when HSBC acquired full control of the Midland (p. 268), and will fall in 2017 to 625 (Financial Times, 2017). In a commissioned history in which traditional historical narrative dominates, exploration of such themes is difficult but possible, as Margaret Ackrill and Leslie Hannah (2001) have well demonstrated.

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#### **WORKS CITED**

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## Book Reviews

King, Frank H.H. (ed.). *Eastern Banking: Essays in the History of the Hong Kong and Shanghai Banking Corporation*. London: The Athlone Press, 1983.

King, Frank H.H. *The History of The Hongkong and Shanghai Banking Corporation*. 4 vols. Cambridge: Cambridge University Press, 1987-1991.

de Perthuis, Christian, and Pierre-André Jouvét. *Green Capital: A New Perspective on Growth*. Translated by Michael Westlake. New York: Columbia University Press, 2015. 274 Pp.

Economic growth is generally associated with a wide range of undesirable environmental effects. The estimated overall cost of climate change reported by *Stern Review* would be equal to a loss of five to 20 percent of global gross domestic product (GDP) every year (Stern 2017). On the other hand, advocates of the Environmental Kuznets Curve (EKC) hypothesis believe that environmental degradation happens in the early stages of the growth, but eventually, after reaching some level of income per capita, economic growth leads to environmental improvement. Yet Christian de Perthuis and Pierre-André Jouvét contend that the EKC hypothesis completely overlooks the effect of economic growth on environmental regulatory systems, such as biodiversity and climate stability (p. 40). In *Green Capital: A New Perspective on Growth*, de Perthuis and Jouvét—European environmental economics scholars—emphasize the important effect of natural regulatory systems on sustainable economic growth. What sets this work apart from most recent scholarship is that it not only considers the depletion of natural resources, but also highlights the destruction of natural regulatory systems that contribute to the halt of long-run economic growth.

*Green Capital* consists of nineteen chapters. The first four explain the relationship between economic growth and natural capital (traditionally defined as a stock of exhaustible resources). They argue that the slowdown