



## “Trust me, I’m a banker”

In a post-crash economy, the financial industry has taken a severe hammering in the courts of public approval. Banks have never been trusted less. In a capitalist society, that’s not good news. But now bankers may have some unlikely new saviours: philosophers.

“I’ll pay you, you know, 50,000 dollars, 100,000 dollars... whatever you want... I’m a man of my word.”

A UBS investment banker and ‘man of his word’ is caught trying to bribe a broker. Taken from an incriminating email uncovered after the Libor-fixing scandal – when traders illegally manipulated London interest rates – the sentence illustrates a climate that has a global sector reeling.

Even before news of the scandal broke, PR giant Edelman’s annual Trust Barometer was reporting that public trust in banks had fallen off a cliff, concluding that banking is the “most distrusted global industry.”

People need money. Once they have it, they need to know it’s safe. So people need to trust banks, and banks need people to trust them. If that trust ebbs, the system becomes dangerously unstable. For two philosophers, the current lack of trust sits like a time bomb at the heart of global capitalism.

“One should start by distinguishing trust from trustworthiness. Trust isn’t always valuable, since it may be badly placed. It would be foolish and foolhardy to trust banks when they don’t merit it. Trustworthiness comes first,” said Alex Oliver, Professor of Philosophy at Cambridge. With Professor Boudewijn de Bruin from the University of Groningen, he is co-leading a €1 million, five-year project on Trusting Banks, funded by the Dutch Research Council.

“We are way beyond cheap PR exercises. If the public are to trust banks again, we must promote the key institutional virtues needed for banks to be trustworthy.”

The mid-1980s deregulations were based on the idea that banks have a strong, self-interested reason to behave scrupulously. If they do not, so the reasoning goes, they will be found out, their reputations will suffer and trust will be lost, leading to competitive disadvantage. But this market-based deterrent mechanism has comprehensively failed: witness Bernie Madoff’s Ponzi investment scheme – described as the largest financial fraud in US history – the manipulation of markets, money laundering, mis-selling of payment protection insurance and interest rate swaps, flawed credit ratings and the

subprime mortgage crisis. Where will it end?

As those at the top of the sector continue to walk away from financial meltdown with personal fortunes intact, public anger at perceived injustice has mounted. Whether or not banks and their staff deserve this reputation, in the post-crash economic winter there are few, if any, professions and institutions as universally reviled.

For Oliver and De Bruin, this poses a very serious problem. If citizens and businesses distrust banks, they say, a chilling effect will spread as economies slow, unemployment rises and companies and countries go bust. It’s already happening.

“If you talk to bankers, many will blame the public for not trusting them, either for a lack of financial understanding, or for an unwarranted cynicism encouraged by hostile portrayals in the media,” said De Bruin, “but this is a defensive ‘blame the consumer’ strategy – a form of denial. The decline in public trust tracks a decline in trustworthiness of the financial sector. Trustworthiness needs to be restored first. Trust will follow.”

In developing a theory of trustworthiness for banks, Oliver and De Bruin will navigate the various conflicting interests inherent in financial relationships

– between depositors and borrowers, between bankers and shareholders, and so on – and will chart the complex kinds of interactions needed for successful and trustworthy financial services. To be trustworthy, one must be both able and willing to perform the relevant actions. That is why the research will address key questions of competence and motivation, both of individuals and of organisations.

Oliver and De Bruin are working with a team of two postdoctoral researchers and two PhD students, as well as drawing on the expertise of colleagues in their departments. Using initial results, they designed a ‘Philosophy in Business’ course for the MBA programmes at Cambridge’s Judge Business School, and they have run tailor-made workshops with bankers, from trainees through to boards.

Banks are massively diverse corporate agents. Fine-grained distinctions can be made between retail and investment banking, for example, which are easily conflated in the public mind. Not everyone who works for a bank is a ‘bankster’ driven by a ‘greed is good’ mentality, just as not every university staff member is an ivory tower academic.

“Many bank branch employees are trying to serve communities, and are deeply disturbed by ‘bad apple’ bankers. But their customers tend to tar them

## The manipulation of markets, money laundering, mis-selling of payment protection insurance and interest rate swaps, flawed credit ratings and the subprime mortgage crisis. Where will it end?

with the same broad brush. It’s a good question why rogue doctors don’t have the same effect. Doctors always top the trust polls, while bankers are now in the gutter with tabloid journalists and politicians,” said Oliver.

Virtues, and how an organisation can embody them, are a cornerstone of the project. Connecting with cutting-edge research on corporate entities and corporate decision-making in philosophy and social science, the project will examine how institutional structures can foster the virtues needed for trustworthiness, such as intellectual honesty and humility, open-mindedness, curiosity and truthfulness.

“The solution can sometimes be as simple as putting the right people in the right place, but typically it is not that simple,” said De Bruin, “Organisational

change may well be needed, such as rotational policies, in which employees are shifted around to maintain objectivity in their client relationships.”

Oliver and De Bruin are keen to emphasise that their work is not a simple one-way transfer of knowledge from academia to the ‘real world’. “Philosophers and economists have increased our understanding of ‘virtue management’, but there are still many open questions. Answering them requires collaboration not only with other disciplines, but also with the banking world itself. Sharing ideas with bankers often leads to reciprocal illumination, which benefits all parties.”

One of the project’s outcomes will be a ‘financial citizenship’ initiative. Rather than try to teach people about complex financial products, this will focus on empowering citizens through identifying virtues that help them cope with conflicting financial information. A web-based interactive module will enable prospective clients to test whether they are critical and sober-minded enough to see through the marketing tricks used to sell financial products.

“Where it once stood for cautious financial advice and a firm handshake, the word ‘banker’ has become slang for a ‘greed merchant’ who gambles other people’s money in rigged games so they alone get rich,” said Oliver. “‘Trust me, I’m a banker!’ is now a well-worn joke. We want to investigate how it can be made good advice.”



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