

The ethics of banking

Report summary

June 2013



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We had two polls during this lively debate, the results of which pretty much sums up the view of the Thinking Tank. Over 80% saw the finance sector as responsible for the financial crash and very few felt they had mended their ways since then.

Despite inviting equal numbers of finance and non-finance participants, the majority of participants in this Thinking Tank were not from the finance sector. Small wonder then that one of those who was observed glumly that it felt like more “bank bashing”. That statement didn’t get any support

from other participants so next time get some of your colleagues to participate to balance the debate!

Time for a change

There was strong support for the idea that the current financial system needs a good shake-up

- *Guess that the Anglo-Saxon model of laissez-faire in financial institutions comes to an end in the near future/hopefully!*
- *I feel the relationship between banks and clients has changed. It is no longer a supplier-customer relationship, customers have become somewhat dependent on*

their bank (unless you have loads of money) and banks pretend as if you should be happy they let you be a customer

- *Banks are still focused on their own profits, even the ones that survive thanks to the tax payers (i.e. our) money. They should really try to understand their service function to society at large.*

But also fear that it would not happen so easily with many views supporting the tight knit politicians/banking connection that will prevent change

- *I am not sure if the laissez-faire model will come to an end. There are too many lobbyists in politics for that to happen*
- *Not only in politics but more simply bankers and their lobbyists directly or indirectly influencing the politicians*
- *It doesn't help when the politicians are also the guys with lots of money - they have too much vested interest in preserving the status quo*
- *Finance nowadays is far more than lending money. It's an exterritorial business of smart mathematicians who have no real ethics in mind.*

Individuals to blame...

The feeling against the individuals in the sector was strong:

- *What shocks me is the attitude. Like it was just a big game or a joke. They seem very removed from the reality of the consequences of their behaviour.*

- *It's an interesting example of moral failure. Probably most of them didn't actively decide to do harm, but they ignored the signs and hid from personal responsibility*

There was a lot of support for the observation

- *The Gameboy generation with the quick thumb should not be let loose in the investment banking business - not enough feeling for responsibilities.*

And not much at all for statements defending younger people.

...or the system?

However there are systemic problems too:

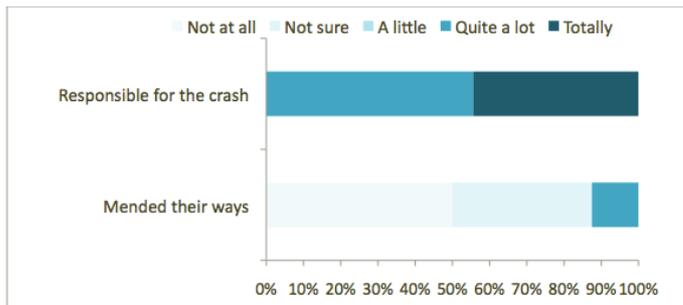
- *The real economy does not count anymore, what counts are the financial games played to move riches into the hands of the few playing the game*
- *Indeed, financial authorities have failed completely in all countries in the Western world. Not in a single country were they able to make a significant difference.*

No pain, no gain

The sense that the finance sector had “got away with it” was widely felt and comparisons made to those stealing goods during the riots in London who, on the other hand, were convicted and punished.

- *The real problem is that bankers are not held responsible; none of them are convicted for anything despite the huge damage created*

- *Did they ever accept responsibility and announce they would reform? It's the arrogance that makes me want to blame them more.*



There was little support for the unpalatable observations by some that we are all part of the problem, co-conspirators, unless we make sure all our financial dealings are ethical .

Comments about co-operative banks, Grameen Bank, credit unions and ethical savings did not get much support.

It seems to be easier to blame banks and politicians than take individual responsibility or action.

Some ideas for solutions

Some of the suggestions for action split the vote with strong support from some and being questioned by others

- *In my view banks should be not for profit service organizations*
- *Grameen Bank seems to be successful and decent at the same time*
- *First of all giving correct, transparent and complete information to investors about the risks they were taking.*

And there were some more widely supported recommendations:

- *Observe the interests of ALL stakeholders, not just the investors*
- *Government banking sector offering fair products for the fair majority*
- *Impose accountability for both the Management Team and Boards*
- *Withdraw the banking licence of those banking who were most involved in playing around with these new products: Goldman Sachs, (and seize all the assets of their Directors/ Board) that's exactly what happened with Arthur Andersen in the audit industry*
- *More females in senior management. There is serious research on how much of a difference that would have made.*

Technical suggestions such as limiting leverage, separating savings and investment and banning short trading structures received very little support –the focus was more on the need for a mindset change.

Some less supported suggestions included ethics education, psychological profiling and a maximum salary multiple (top salary divided by lowest salary). And this unorthodox suggestion in response to the UN observation that drug money was the main source of liquidity in the crash and without it the repercussions would have been much worse.

- *Then we should put the drug kingpins in charge of the banks and the bankers in charge of drugs. Can't be any worse...*

Self regulation

There was grudging acceptance of some benefits of a light touch and a trust based system (though that is now hard to implement). In general though there was opposition, flagging up cases like Murdoch

and phone tapping as examples of the hazards of self-regulation.

- *I can't see a pro [positive] from an ethical point of view*
- *When someone shows they can't be trusted and they have immense influence/power, why would you choose to carry on letting them do what they like?*
- *They cannot be allowed to persist in the view that the little people are irrelevant. That they can sit in their marble palaces and play with real lives. They need governance.*

Dynamics of the group

Consensus was a little higher than usual in this debate at 33% (vs Thinking Tank benchmark of 29%) and a very high average support level for each idea of 65% with only one statement achieving majority support (listed below).

One participant made this observation on the process:

- Thanks - very emotional but good to reflect once more!

Top 20 statements scoring over 60% support (ranked strongest first)

- *The real economy does not count anymore, what counts are the financial games played to move riches into the hands of the few playing the game*
- *Finance nowadays is far more than lending money. It's an exterritorial business of smart mathematicians who have no real ethics in mind.*
- *Did they ever accept responsibility and announce they would reform? It's the*

arrogance that makes me want to blame them more

- *I am not even sure that the large majority understood the risks associated with these new products/ derivatives*
- *Probably most of them didn't actively decide to do harm, but they ignored the signs and hid from personal responsibility*
- *The large majority don't understand any industry. But that shouldn't be taken as a licence to do what the hell you like*
- *Guess that the Anglo-Saxon model of laissez-faire in financial institutions comes to an end in the near future / hopefully!*
- *I am not sure if the laissez-faire model will come to an end. There are too many lobbyists in politics for that to happen.*
- *Not only in politics but more simply bankers and their lobbyists directly or indirectly influencing the politicians*
- *I feel the relationship between banks and clients has changed. It is no longer a supplier-customer relationship, customers have become somewhat dependent on their bank (unless you have loads of money) and banks pretend as if you should be happy they let you be a customer*
- *It doesn't help when the politicians are also the guys with lots of money - they have too much vested interest in preserving the status quo*
- *Nobody in charge really wanted to stop the rat race/ greed competition that took place and still is*
- *Indeed, financial authorities have failed completely in all countries in the Western world. Not in a single country they were able to make a significant difference*

- *Some of them have under government pressure but those who were at the source of the problem are still around, dealing again with other people's assets for their own profits*
- *What shocks me is the attitude. Like it was just a big game or a joke. They seem very removed from the reality of the consequences of their behaviour.*
- *I can't see a pro [positive] from an ethical point of view.*
- *Banks are far too much protected by the politicians*
- *The real problem is that bankers are not held responsible; none of them are convicted for anything despite the huge damage created*
- *As well as of those who are in charge of overseeing them and those at the helm of governments*
- *It's an interesting example of moral failure. Probably most of them didn't actively decide to do harm, but they ignored the signs and hid from personal responsibility*
- *Every organisation is trying to influence politicians. However, the banking industry does it by assuming that the tax payer stands in for any risk!*

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