

Understanding the circulation of trust and mistrust in the finance world (and imagining the alternatives to prevent the crisis?)

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Introduction

While first thinking about how to approach the crisis and the market flows topic, I have written several pages, trying to explain on the basis of observations the structure of the finance market world and movement of inner flows of money, power and trust between different actors through debts, shares, currencies etc, but after a while I realized it was impossible to catch the most of its anthropological added value clearly in 10 minutes, and it didn't seem to be the most important one. Then I imagined, how it could be best analysed with the help of my existing results and methodology from my PhD field, in which I am studying the question of "Trust in investment relationships", as the utmost value in the middle of private bankers and clients "tribes". Moreover, some illustrations on the case of the Icelandic crisis, where I recently attended a conference, revealed useful. In fact, the investors, banks and countries are in the modern world are, especially during the crisis, behaving nearly like clients and bankers in private banking between themselves. Liking and disliking each other, trusting or distrusting each other, taking advantage of each other, having relationships. We will see how the trust and mistrust circulation works.

"Previous possessions of the individual self-autobiography, emotions, and morality – become possessions of relationships." (Kenneth Geren 1991: 170)

This phrase from Kenneth Geren, quoted in "The new Superorganic" by an American anthropologist F.Allan Hanson (2004: 468) seems to be a perfect definition of a private banker, who we can say "exists" principally through his relationships. From Hanson's point of view, a human individual can not longer be considered sufficient as the unit of a socio-cultural action and the agency should be defined in a more expansive and dynamic manner that includes but is not limited to the individual. (Hanson 2004; "The new Superorganic": 470). Applying the same "complete", extended approach, how can be seen the agencies of banks, investors and States?

In this paper, I will firstly introduce the "agency" as explained in the above-mentioned works by F.A.Hanson, in order to define a theoretical frame-work, which will be used and illustrated by case studies.

Secondly, I will present the topic of my PhD and define its main concepts, followed by a description of the methodology used and quickly mention some facts about the crisis in Iceland.

In the main part, I'll illustrate the "circulation of the trust in the world of wealth", as it can be perceived in my field, through ethnographical observations and interview restitutions.

How can trust circulate in the world of investments through different types of agencies, like space, social and personal factors, professionalism, gender, objects - material agency, language and finally through new technologies? How is trust as an exchange object constructed and moved? How can we directly apply it to the case of Iceland in crisis to understand how it got caught into a spiral of distrust? My hypothesis is that all these factors have a much bigger role in the construction of trust and mistrust that we can imagine.

I will finish by the epilogue on social value of money and profit creation in contemporary capitalism society. Could we prevent crisis by proposing and implementing alternative metrics for society's success as a solution for a better sustainability?

Before presenting potential results through examples from my fieldwork an important notion of "agency" have to be revisited.

Rediscovering the "agency"

F.A.Hanson offered us a look at the work of Gregory Bateson, who states that the agent conducting any activity should be so defined as to include the lines of communication essential to that activity rather than cutting across them. He instances a blind man using a stick to walk down the street. The agent in this case should not be limited to the man but include all the essential communicating components: the man, the stick, and the street. Considered in this way, while it is clearly composed of concrete components, *agency* is also fluid because its components vary with the particular activity (Bateson 1972:459; see also Wood 1998, Hutchins 1995:291-92). The fluidity of subject is by Hanson expressed in using the word "agency", acting intelligently. This perception helps us to see the subject through his embodied activity and his agency becomes "a man reading a book in Braille".

The extended agency would be temporary in duration and variable in composition.

Compared with methodological individualism, this way of analysing has an advantage to encourage the full consideration of the role of objects, relationships and the artificial intelligence, if included in the researched activities.

The circulations of trust will be analysed through agencies of the studied subjects. Beforehand, a presentation of my PhD and a definition of basic terms will clarify the topic.

Presentation of PhD topic

Being of Slovak nationality, I grew-up in a changing social environment of a post-communist country, where the problem of trust (and mistrust) is, on both an interpersonal level and vis-à-vis institutions and formal bodies of governance, an intimate part of everyday life of individuals. However, in spite of the everyday recourse to the idea of trust in shaping interpersonal relations, I was not aware of the importance of the notion until I started working in the private banking finance sector as Coordinator and Private banker for Central, Eastern and South-Eastern Europe. My mission started during the recent economic crisis (2007-2010) and since I am spending time working with wealthy individuals, bankers and investment advisors in several countries of Central and Eastern Europe, especially Slovakia, Slovenia, Poland and Switzerland.

The objective of my research is still slightly evolving as the fieldwork advances, but it is basically to understand better an extremely important role of trust (and its contrary mistrust) as social capital within a society and social groups - through the analysis of trust in investment relationships, especially in private banking. What does trust mean in these types of relationships? What are its social functions? How are trust and mistrust created and maintained? How is it destroyed? How does it circulate? How is it expressed? How do we measure it? How does trust and mistrust act as an economical actors (individual and generalised)? What is the impact of the globalisation and of the new technologies on trust? How does it change in different cultures? During the recent economical crisis, we can attend also to the crisis of trust (in bankers, in business partners, in States, like recently Iceland, Greece or Hungary), expressed by the creation of spirals of trust and mistrust.

My field work is being performed mainly while working or spending my free time with bankers, investment specialist and clients, in the bank and outside the bank.

For a better understanding and a clear work frame, it is important to define the following basic terms: What is private banking? What is trust from a theoretical point of view?

What is Private banking?

Private banking is a term for banking, investment and other financial services like wealth management, savings, inheritance and tax planning for their clients provided by banks to private individuals investing sizable assets. Historically private banking has been viewed as very exclusive, only catering for high net worth clients with liquidity over \$2 million, although it is now possible to open some private bank accounts with as little as \$250,000 for private investors.

What is trust?

Trust is a highly problematic but recurrent feature of social relationships. It is not so easy to define, because it can be analysed on several levels. The social theories tend to define it mostly by pointing out the positive aspects it brings, without insisting on a definition of mistrust. For instance, it is seen as essential for stable relationships, vital for maintenance of cooperation, fundamental for any exchange and necessary for even the most routine of everyday interactions (Misztal 1996: 12). Trust is necessary to reduce the complexity of the social reality (Luhmann 2006). When it is damaged, the community as a whole suffers; and when it is destroyed, societies falter and collapse (Luhmann 1979: 31 and 26-27).

In English, the authors mention two different terms: “trust” and “confidence”. Luhmann qualifies in one of his articles the term “confidence” as the confidence in the systems and “trust” as the trust between individuals. In accordance to Misztal (1996: 16), “trust is an individual choice between different alternatives”, while “confidence” is a more general expectation. Taking into account these characteristics, for the purpose of my thesis and this paper, I use the word “trust”, as I tend to explore the flows of trust “given” (“trustfulness capital”) and “received” (expressed in “trustworthiness” or “reliability capital” (Sztompka 2007: 246-247) in investment relationships, on the basis of reflexive actions, mostly compounded from individual choices. However, this separation is questionable.

On the basis of definitions and theoretical approaches, one can assume that (Torsello 2003):

- Trust has an object and a domain.
- is variable in time.
- entails obligations and expectations.
- is constructed on both subjective and objective levels.

- can be directed towards persons ('dyadic') and abstract entities, such as institutions organisations and the state ('embedded') (Sztompka 2001).
- Trust involves a judgment of risk in conditions of uncertainty. As Luhmann (1988: 95-97) points out, when there is no uncertainty than it becomes a matter of confidence, not trust. However, as already mentioned this last definition is questionable.

Methodology

In my PhD, I try to imagine my field work as a study of a tribe of wealthy individuals on the one side a tribe of bankers and investment specialists on the other side. These two tribes cooperate together based on a delicate trust-based relation. Moreover, within the tribes themselves, communities are created based on common characteristics, which creates inner trust circles.

A *directly* studied population consists of approximately 50 wealthy individuals (> 300k€) and 30 financial advisors (agents, private bankers, asset managers, investment specialists) from Central and Eastern Europe (mostly from Slovakia, Slovenia, Poland). It is analyzed through personal interviews, participative observation and questionnaires. An *indirectly* studied population of wealthy individuals is analyzed through direct witnessing of other financial advisors and investment specialists in Central and Eastern Europe (mostly from Slovakia) and Switzerland (bankers, asset managers, analysts) or on the basis of relevant documentation, treating this problematic (ex. newspapers, studies, books). The analysis consists in observing different aspects of trust in these two groups, between them and in the environment in which I live.

For the purpose of this paper, I will analyze the reactions from the fieldwork which give us more information about the trust as a "*circulating anthropological exchange object*", moving through extended agencies of people and institutions.

For a more international complementary aspect, I will complete these observations by the case of the crisis in Iceland, studied on the basis of documents, some interviews in Iceland and a conference I attended in Reykjavik. Let me also briefly introduce the environment of Iceland in crisis connecting economic actions in term of trust.

Introduction to trust topic in the Icelandic crisis

I have chosen to analyze the case of Iceland as one of the examples of the crisis, because it was one of the most severe cases in 2008, and because in the whole Iceland story, we can see the combination of economic, financial and political decisions through the general „trust language“,

on local and international level. Official reasons of the extreme severe crisis in Iceland were, in accordance with some numbers mentioned in the news-papers, the debt leverage ratio of the public, banks and the State in Iceland, which could easily average at least 6 times more than annual GDP. The government, in the search for a stronger economy and maybe complementary votes agreed with total over-confidence the rules that encouraged the economy to spread more credit and worsen the quality of loans (lack of control on credit maturity mismatch, loans currency mismatch, liberalization of banking system and lower bank guarantees). By complementary monetary supply, encouraged by the State, the banks went to search for profits in foreign countries, not respecting basic risk criteria and believing the notion that many of the large banks were „too big to fail“, with nearly explicit State guarantees. All this created misallocations in the real economy.

The bubble was before the crisis spurred by the over-valued Krona, the Iceland stock market, and the creation of purely credit-based profits.

Corrupted relations between political, banking and economy elites did not help to improve the risk of the whole the situation. The big loans to Icelandic tycoons helped to fund their spree of corporate acquisitions—and helped turn the fish-exporting nation of 300,000 people into an unlikely financial center. But to satisfy margin calls and other demands from their foreign lenders, the report indicates, the wealthy investors turned to Icelandic banks—in which they often had significant shares—for loans. A comprehensive report from a parliamentary commission, published in April 2010, says large loans from foreign banks, including Citigroup Inc. and Deutsche Bank AG, helped to feed "the buildup of risk" in Iceland's banking system.

In accordance to the first simple „media“ version, what happened in Iceland in 2008 is that, due to the global financial crisis, panic started spreading between the people in Iceland and there was a run on the banks, which put into insolvency the three main banks Glitnir, Landsbanki (in UK known as Icesave) and Kaupthing, which had to be nationalised. I could call this an expression of internal distrust of people to banks, the economy and the State as a guarantor. The trust given to institutions weakened.

More importantly, the panic percolated quickly down to currency level, the krona (crown), falls 30% and a wave of distrust spread through the circles of international investors. The trust given by international partners and investors nearly disappeared. This meant also that the country could no longer pay for imports and became extremely vulnerable.

Ratings of Icelandic sovereign debt (long-term foreign currency), which are the expression of trust in the country's financial stability and affect a lot of its financing and purchase of countries State bonds, have strongly deteriorated during the crisis.

My objective here is not to find the main cause but just to show the basics to understand the expressions of panic and mistrust that appeared.

In the next part I will explain the circulation of trust and mistrust in the world of wealth as I see it in my field, in the post-socialist region of Central-Eastern & South-Eastern Europe, completed by some examples from the field in Iceland on a more global level.

Circulation of trust and mistrust in the world of wealth.


From my observation until now I can point out, that in general for the creation of trust in the world of business and private banking (between partners, with bankers, between clients and bankers), several different factors are important. I would divide them into sub-groups:

- Environment factors: time, space;
- Social/Personnel: kinship, community, values, religion, symbols, gender, history, network;
- Professional: professionalism, track-record, reputation, recommendations, network;
- Material (expression of social in general): objects, look (clothes), way to spend holidays, food, drinks;
- Personnel: naming (vocabulary);
- Technological: access to information system, way to use communication tools, connectivity;

All these factors are coming to "create the individual" and to complete his extended agency, which is dynamic in time. The fact that you have trust in something or somebody today doesn't guarantee the same situation tomorrow.

On the basis of this theory, I will illustrate the trust problem and its circulation through agencies by rewriting some of the observations and interviews from private banking business. I will try to apply it afterwards on a higher level of finance architecture and for a specific case of Iceland.

Trust circulation in space and time

 Michal, a young (25) but very experienced investment advisor and company owner from Slovakia in January 2010: "The biggest problem for people in Slovakia is to understand the word credit-worthiness (probability to pay ones debts). People will trust more a local provider, because they see him somewhere in their geographical area." "One of my friends, director of a big local investment group told me: "The client will rather invest in my product, some local less credit-worthy investment, because when it doesn't work, at least he knows, that he can come and hit me in the mouth!" (comparing international company General Electric and a local bank Slavia Capital).

This shows, how important an environmental factor “space” can be a positive or a negative element for the creation of trust. A banker “close to us” will be naturally much more trusted by some of the clients. His geographical position is part of his agency.

✍ Cvetka, A female Director of one of the banks in Slovenia told, in May 2010, during a discussion in Ljubljana: “People from Slovenia will automatically trust Private bankers in Zurich more than Private bankers in Lugano, as they consider them to be more serious. But of course, some of them can prefer Lugano, for their personnel reasons.”

This shows, like geographical characteristics, or representations of countries “Italy” and “Switzerland” can be a positive or a negative element in the trust creation.

Applying this point of view to the geographic agency of *Iceland* and Icelandic banks, the fact that they were extremely exposed to foreign investors, and were situated “far from them”, located on a “small island”, could have a negative impact on the rapidity with which the fear was spreading, while classified as a small periphery location, far, so less trustworthy.

✍ Roman, a Swiss colleague, 37 years old, working as asset-manager in private banking, Zurich on the 6th of May 2010, replied to my question “Why do you think Iceland went bankrupt?” the following:

“They were too vulnerable“... I asked, why Switzerland doesn’t have the same risk? “Switzerland is very rich, they have a lot of industries and long term history in banking. For Iceland, the was a real speculation, buy-sell...it is a small land. Traded volumes are very small. Banks didn’t do well their jobs. They wanted a quick profit, but Iceland is too small country for this type of speculation.”

It pointed out that the agency of “size of the country” and the factor “time” as local banking history, which is not very long, could have a negative effect on the created spiral of distrust.

Trust circulation through social and personnel factors.

Trust agencies are created though relationships, social and personal factors, like history, network, friends, family, etc. They often contain as well a parameter of time agency (ex. ”long” relationship is in general more trusted).

✍ Juraj Buzalka, a professor in the Social Anthropology department in Slovakia told me in March 2010 during an informal discussion we had in Bratislava: “In Slovakia, qualitative parameters, long-term relationships, are more important than quantitative parameters.”

✍ This was confirmed by an informal discussion with a taxi-driver Mr. Radoslav Kvackaj (owner of a successful taxi company) during a ride from the airport to Bratislava, in January 2010: *What is for you a basis of trust?* “To whom? Somebody I know for a long time. Who has a good reputation. I do not believe foreigners, and nowadays even more. You don’t have to trust foreign people. You can see all these frauds these days. As we say “trust but check!”. The companies which paid are not paying anymore on time these days. They say it is the crisis, but I am not sure it is the case for everybody.” And then the chain of late payment continues. And they are not punished! The legal state is not guaranteeing

that you get your money back with correspondent bad payment interests. We got used to this uncertainty, we already foresee that the payment will come late.”

This shows also, how important a law system of a State is for the trust environment.

✍ Tomas, an associated partner in one of the Slovak- Swiss private banks told about the basis for trust creation, during a dinner we were having in Zurich in March 2010: “You know, as one of our bankers told: “Now all our friends are our clients, what do we do, so that other become our clients, than friends!?” (laughing....) Ok, but then I think you create trust for example by sharing a common success (marathon running, a successful business, a good party) and by overcoming own prejudices, not like a French guy, who stayed the only one in a towel, within a sauna in Finland, while we all were naked.”

✍ Michal (mentioned before) told made an interesting remark concerning receiving trust: “Rich clients will trust me, because they know I am from historically successful and rich family.”

Moreover, from the “trust” theoretical point of view, the more trust you receive, more trusted you will be. This is a basis of the reputation in private banking, where the “Previous possessions of the individual self-autobiography, emotions, and morality – become possessions of relationships.” (Kenneth Geren 1991: 170). Same applies on mistrust.

From this point, we could imagine that firstly, Iceland was a relatively “new” finance specialised country, not “backed-up” by long relationships, history and reputation, more vulnerable than for example Switzerland? Imagining international relations as network, the fact that Iceland is not a part of the European Union on political and monetary levels had from this point also a negative influence.

Circulating trust by professionalism

Interpreting discussions showed that giving trust by professionalism or more through personal relationships can be slightly different from one culture to another. For a person from Switzerland (hereunder), it seems the reasons to trust are more “rational”, with less “sentiment” and need for recommendation than in countries “in transformation”. Extracts from the two following interviews, first one with a Swiss and a second with a Russian banker, show a slightly different point of view on the circulation of trust through competencies. One of the statements, shows also the importance of the common language or personal engagement.

✍ In a restaurant with Roman, a Swiss colleague, 37 years old, working as asset-manager in private banking, done in Zurich on the 6th of May 2010.

1) *Which are the most important factors for your customers to give you their trust as their financial advisor?* “Professionalism, know-how.”

2) *Which are for you the most important parameters in order to trust customers?* “Formular A (laughing)” (rq.A document where the customer declares his ID information and officially states he is the only owner of the assets). I do not have any relationship with these clients, we do not have a love relationship! I just need to know they have clean money.”

- 3) *Which are for you the most important parameters in order to trust your business partners or people around you?* “For me, yeah, professionalism and seriousness.”
- 4) *Of what do you think if I mention to you a “circulation of trust”?* For me, it is a trust from both sides (“gegenseitiges Vertrauen”).
- 5) *Did your attitude to trust change during the recent crisis?* Yes, I do not trust governments anymore. It’s a politic mafia, everybody looking only after their own interests. Yeah, but it was always like this, one hand washes another one. In Switzerland, it is usually only on the very top level.

✍ In a restaurant with Natalya, a Russian colleague, 37 years old, working as private banker, done in Zurich on the 14th of May 2010.

- 1) *Which are the most important factors for your customers to give you the trust as their financial advisor?* “I am reminded of a seminar in London I once had while working as a corporate banker. They showed us statistics which showed, that for 50% of clients, the most important characteristics they search for is a good personal relationship. For me personally, a level of professionalism is very important I think, personal relationship and cultural background. A language also, a language is very important. And they have to feel, you are personally engaged, not only because of work.”
- 2) *Which are for you the most important parameters in order to trust customers?* “I think that the fact that they keep their word. To me and to the bank. That they do not say I send you 10M€ and they never send it. This is very important when you do trading and you do big operations only on the basis of the telephone conversation and the client’s word. I take a risk for him. So that he does not come later, saying I did not say this.”
- 3) *Which are for you the most important parameters in order to trust your business partners or people around you?* “Open communication, honesty, that we can talk about conflicts and resolve them.”
- 4) *Of what do you think if I mention to you a “circulation of trust”?* “When good is searching for good. When you trust somebody, she/he will also trust you. To be in an atmosphere of trust.”
- 5) *Did your attitude to trust change during the recent crisis?* “Yes of course. This is so much easier, when the markets are going only up.”

Applying this point of view to Iceland, we could wonder of the impact of the fact, that most of international clients would go there since only several years to take the advantage of curry-trade conditions, low interest rates, and buy the local currency mostly for speculative reasons, so all these were mostly purely quantitative reasons, which are being more vulnerable than long term bank personal relationships.

Trust and gender.

✍ During a recent business trip with two of my private banking colleagues, working in the Italian part of Switzerland, I was asked by Gianmarco, the younger one (around forty years old), how it was for me to be a private banker-woman. I wasn’t surprised by his question, because it is an issue that I have to take into account very often and very carefully. What surprised me was the rapidity of his question, as we knew each other approximately four hours. I understood, when he explained to me during the flight, that:

“In Italy, especially the Southern part, a man asks the woman to leave the room when they are about to speak finance. Moreover, in 17 years, his boss never hired a woman as a private banker for the Italian team.”

I told him, in Central and Eastern Europe, the situation was certainly not equal and it was part of my job to overcome this challenge, but for sure more open-minded than in Italy.

We can see, that gender is an important part of the agency of an individual and an extremely important factor for the circulation of trust. The importance of gender changes depending from the cultural environment.

Trust circulation through personal - material agency.

✍ Viktor, an experienced private banker and company owner told me during one of our common travels by car, during an informal discussion, in January 2010.

“ You know, these people in Central Slovakia are completely different from the ones in Bratislava. It’s an absolute must to have a big car and a driver. If you come to see them in a big car, with a driver, they are completely “fucked-up” by this. Completely. There is one, a very difficult, always playing at something. I promise you, once I take a helicopter, and I land on his courtyard. I’ll do that once. Then he will have enough.”

✍ Or as another example, already mentioned, Juraj, an anthropologist from Slovakia told me in April 2010, in a friendly discussion about material issues: “This man from a village, this idiot, will buy himself an apartment in Eurovea (exclusive new real-estate resort in Bratislava, Slovakia), just to prove himself that he is a part of “the elite”.

Of course, these attitudes create also a space for jokes. Karol, one of my older extended family members, who is a former deputy Minister in the Ministry of Transport, was telling us a joke, while we were talking about the differences between spending in communism and in the “new capitalism”:

“A newly rich is telling proudly to his friends: “I have three swimming pools in my house!” The friends ask a bit surprised: “What for do you have three swimming pools??” “One for the ones who like cold water, one for the ones who like hot water and the last one is empty, for the ones who can not swim!” .”

But the trends in this area are also dynamic and evolving with the time.

A professional research, realized by The Economist - The Economist Intelligence Unit Limited 2010, entitled “The new world of wealth – Seven key trends for investing, giving and spending among the very rich” and based on 24 in-depth-interviews conducted with Ultra-high-net-worth individuals, revealed interesting changes, coming from the recent crisis.

One of them, concerning the material issues states: “The so-called new austerity does not apply to very wealthy. They will continue to spend much the same amount as they did before the downturn, but they will be less flagrant. Losing half of a US\$100M fortune does not mean there is necessarily less to spend on luxury, and true to that principle it seems that most of the very wealthy have not cut back. They have changed their spending habits in more subtle ways, however, partly because the recession has caused them to reassess what they really value (such as

the quality of an experience versus “bling”) and partly because they are conscious not to appear insensitive to wider economic conditions.”

On the basis of these statements, we can see that an agency of a wealthy person is directly connected to his/her material expressions. What can be in some circles necessary to be a part of a wished network (as big Dior glasses or big watches for some communities), can be considered as distasteful in a different one and would automatically exclude them from the wished community. They can be part of what we can call “trust rituals”, like smoking cigars, drinking, eating together in good restaurants, hunting, clubbing in exclusive bars or being in certain groups’ own “secret places”, etc.

Trust and Naming / Language / Wording

The trust circulation through wording is an extremely important parameter. An anthropology colleague said once: “you can joke with people you can trust”. Placing into social context, you create a trust and make it circulate by using the same language. For a private banker and client, it is important to be on the same communication level. Of course, I observe during my field work (and business trips), that the same person could behave differently with a different group of people. Use “bad words” with the people who “like” it, he knows it will be accepted and they than feel like having a closer relationship with their business partner, cause they can “be themselves”. But they behave perfectly with others, for which a use of a bad word would be an offense. This “wording” connection has then to be replaced by a different referential. Of course, it does not necessarily mean that people adapt always in accordance to the counterpart, it has to stay something natural for the banker and for the client. It is very dangerous to simply “pretend” to be different, because it can give the impression of “lying”, which is not good for the trust creation. Moreover, in private banking, the relations between clients and bankers last many years and the “real” personality always comes out with the time. I can observe this behaviour in the bank, between the bankers themselves, between the clients and client-networks themselves as well as in bankers and clients relationships.

Of course, the type of language itself is very important. It is easier to speak Slovak to a Slovak national: it helps to create a trust relationship. Even if speaking very well another language, people prefer to speak in their own language when they talk about such a sensitive thing as their wealth.

And what about the fact the Icelandic language is not easily spoken by foreign investors, so it may be more difficult to have an independent overview of the local media situation etc?

We could ask also how big was the impact from communication about Iceland in media? What was the image given in foreign medias to local and foreign investors? And consequences of the fact that nearly nobody speaks Icelandic?

The analysis of a trust circulation in private banking through extended agencies will be finished by reviewing an interesting point: the agency of technology and communication means.

The agency of technology in private banking.

I can observe that the way technology is used in banking and private banking is extremely important for the circulation of trust and for the agency of the bankers and clients.

✍ In a restaurant with Roman, a Swiss colleague, 37 years old, working as asset-manager in private banking, done in German on the 6th of May 2010.

- 8) *Do you think the new technologies are having impact on the way the trust is created?* “Like, Facebook for example? No, I do not think so. It is even worse. I trust only personal in general.”
- 9) *Do you think the new technologies are having impact on the way the trust circulates?* “Yes, for example in writing emails. You can “send the trust” to somebody quicker, it circulates quicker.” *And what about Mistrust?* “Logically, it also circulates quicker...”
- 11) *Did your way to work and to communicate with clients changed during the last years due to the technology advancements and new tools? How?* “Yes of course, it is quicker, less personal, you are more inter-connected (vernetzter), people can join you all the time. It has advantages and disadvantages.”
- 14) *What do you think about the organization of the information in the finance world?* “It is badly organised. There is no perfect information of course. Like rating agencies, how objective are they?”

A way to communicate, like type of instruments: telephones (iphone, black-berry), internet, business-chats and information systems are integral parts of the peoples and systems agencies. Some clients will also more trust you when they know you are always reachable, some will think it is too much availability and will not trust the communication through this “mobile” devices.

As Roman mentioned, you can be “more connected, but less personal” and you can “send the trust” quickly. “In the same way you can “send a mistrust quickly”, which means spreading it within a connected network. This is one of the reasons for which we can recently see such a big and quick creating of “trust and mistrust” spirals. Medias can very quickly transmit a message which is spread world-wide and financial mistrust and corresponding reactions can come much more quickly. A message about Icelandic problems could be very quickly spread between professional and individual investors and support the creation of the spiral of mistrust. Spreading the message that the fact that the “assets” of the Icelandic banks “were frozen” by UK government had from trust analysis a negative impact, because it spread the sentiment the

communication is broken, frozen, so it breached the trust relationship and increased the uncertainty.

I'll finish with a slightly different anecdote from the 7th of May 2010, when technology literally "took over".

The "**Machines "Take over" on New York Stock Market**" happened for a moment as the U.S. stock market got a small taste of the robot apocalypse, when a near-catastrophic 1,000-point market crash was attributed to computerized sell-offs. Markets plummeted almost 1,000 points in less than half an hour - a tenth of the total value - leading to one of the most "turbulent" days ever in the history of the stock market, though the market had recovered roughly 2/3rds of the drop by the close of trading. "The reason? No, it wasn't a big bank going under. It wasn't poorer-than-expected Q1 financial information. The reason for the massive crash may well have been ... computer error as autonomous trading ran amuck. Nobody is quite sure what happened yet, though it seems certain now that automated processes were resulting in "erroneous trades," possibly resulting from a typo: A situation being investigated is that a trader, meaning to sell \$16 million worth of futures, accidentally put in a transaction to sell \$16 billion worth of futures. Such a massive sell-through did not go unnoticed by the machines running these things, and it snowballed from there. "I think the machines just took over. There's not a lot of human interaction," said Charlie Smith, the CIO (Chief Investment Officer) at Fort Pitt Capital Group. "We've known that automated trading can run away from you, and I think that's what we saw happen today. (<http://www.escapistmagazine.com/news/view/100555-Machines-Take-Over-New-York-Stock-Market-Cause-Crash>)



In this case, the agency of a person through a machine created a spiral of automatic "mistrust" between other machines, based on a predefined program, which went out of human control and then spread on other humans, who started to sell in panic, caught in a circle of mistrust.

Conclusion

Based on the anthropological analysis of the private banking environment, I attempted to show the way trust and mistrust circulate through agencies of individuals, acting in relation with space and time, relationships, social-personnel factors, professionalism, gender, personal-material agency, language or technology.

Considering clients and bankers as "Superorganics", their agency can be very well defined through their connections with objects, relationships, the artificial intelligence or other above mentioned factors, extended agency being temporary in duration and variable in composition. They are being empirical agencies, that undertake social action in connection to network.

On the case of Iceland, I showed that agency can also be interestingly applied to bigger social units, like States or institutions, which are also having their complex "agencies".

To conclude, we could mention the Actor-network theory (ANT), a sociological theory developed

by Bruno Latour, Michel Callon and John Law. This theory contains not merely people, but objects and organizations. These are collectively referred to as actors, or sometimes actants. However, it does not usually explain “why” a network takes the form that it does. It is a constructivist approach in that it avoids essentialist explanations of events or innovations. The theory of trust and agency, even if different in several points, could try complete this approach, by giving explanation through the methodology of trust analysis and its inherent relations.

Epilogue – What alternatives can we imagine?

We could see how important the trust is for a stable economy and how easily it disappears during a crisis. Economists measure consumer confidence on the assumption that the resulting figure says something about progress and public welfare but in general the gross domestic product, or G.D.P., is routinely used as a main indicator for the well-being of a nation. The statistics show, it is not always connected and an increase in GDP doesn't always produce an increase of happiness. What can all this tell us about the social value of money and profit creation in contemporary capitalism society? Could we prevent this type of crisis by proposing and implementing alternative metrics for society's success as a solution for a better sustainability? I asked several persons from financial business to give me reply to the question, whether they can imagine a different kind of measure than a profit.

✍Roman, an asset-manager from Switzerland replied: „No, I can not imagine something else as profit. Well, maybe a life-quality. Not only to work 70 hours a week, this is not a life. After 10 years in this business, I enjoy much more the music and other things.“

✍Michal: Private banker and company owner from Slovakia replied on the same question: „participation on ecology savings, happiness of people, demographical increase...“

Just from interest, I asked also a former Deputy minister in Ministry of Transport, how was measured the profit in Slovakia during the communism. He told: “It was measured by turn-over, brutto, without taking into account the profit. The employment rate was one of the important measures, with full employment as an objective. If not, the State paid the rest.”

In many industrialized countries, happiness it is often equated with money. But it is not always true, and that is why politicians, social scientists, economists, think-tanks, corporate leaders and bureaucrats are trying to develop measurements that take into account not just the flow of money but an implementation of a set of national wellbeing accounts that would tote up life satisfaction and personal development as well as issues such as trust and engagement, health care, free time with family, conservation of natural resources and other noneconomic factors. The accounts would

also include liabilities, such as stress and depression.

The small Himalayan kingdom of Bhutan has been trying out a different idea, that uses a GDP factor. In 1972, concerned about the problems afflicting other developing countries that focused only on economic growth, Bhutan's newly crowned leader, King Jigme Singye Wangchuck, decided to make his nation's priority not its G.D.P. but its G.N.H., or gross national happiness. Four pillars of GNH are economic self-reliance, a pristine environment, the preservation and promotion of Bhutan's culture, and good governance in the form of a democracy. Bhutan, the king said, needed to ensure that prosperity was shared across society and that it was balanced against preserving cultural traditions, protecting the environment and maintaining a responsive government. The king has been instituting policies aimed at accomplishing these goals. While household incomes in Bhutan remain among the world's lowest, life expectancy increased by 19 years from 1984 to 1998, jumping to 66 years. The country, which is preparing to shift to a constitution and an elected government, requires that at least 60 percent of its lands remain forested, welcomes a limited stream of wealthy tourists and exports hydropower to India. Now Bhutan's example, while still a work in progress, is serving as a catalyst for far broader discussions of national well-being.

Moreover, some studies found that Latin American countries, for example, registered far more subjective happiness than their economic status would suggest. In contrast, countries that had experienced communist rule were unhappier than non-communist countries with similar household incomes - even long after communism had collapsed.

Trust and mistrust are for sure one of the possible explanations (even if the role of the sun should be analysed as well..). If people have trust to the governance, to institutions and their control, they feel much safer, happier, they have more "systemic"-general trust, are more willing to pay taxes and have less need to use individual private networks to handle regular issues. This would probably lead to less corruption also.

There are for sure several hints to try to prevent crisis on a longer term, increase confidence, trust, encourage using broader parameters for companies and countries performance measures, to encourage moral values and sustainable development, however, only a strong local will, international cooperation, global actions and individual motivation can try to make it work.

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