



THE UNIVERSITY *of* EDINBURGH



THE HUMBLING OF THE SCOTTISH BANKING
INDUSTRY DURING THE FINANCIAL
CRISIS: *HYBRIS*, FINANCIALIZATION AND SOME
ARISTOTELIAN RESPONSES.

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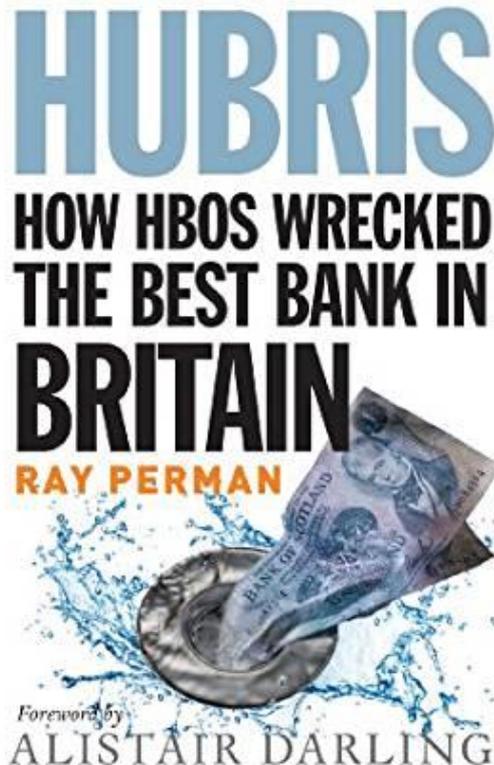
OUTLINE

- Summarize facts of the cases
- The climate of financialization
- *Hybris* and hubris – differing conceptions
- Aristotle
- Conclusions





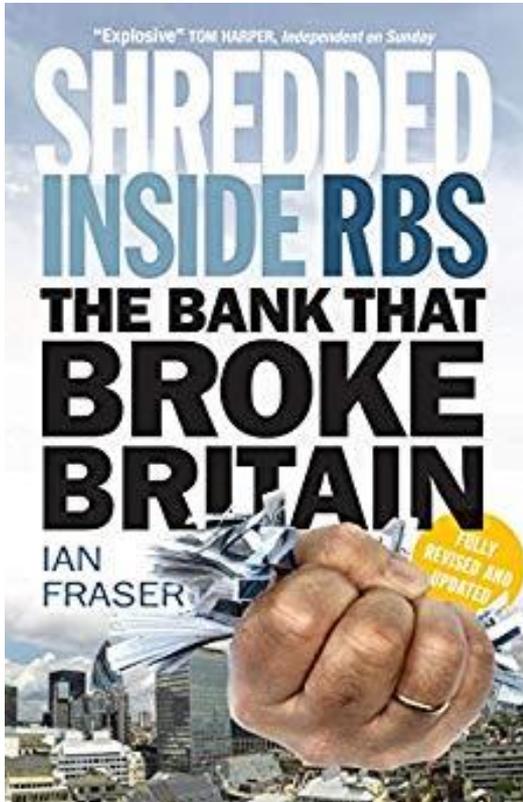
BANK OF SCOTLAND (HBOS)



- Formed from Halifax Building Society and Bank of Scotland – a 'mutual' lost to the economy
- Sales culture
- Financial markets and trading dominate
- Excessive pay (like whole sector)
- Bad banking practice
- Bailout cost £30 billion and a degree of nationalisation
- Taken over by Lloyds – Bank of Scotland exists as subsidiary
- Investigation damning but no prosecutions



ROYAL BANK OF SCOTLAND (RBS)



- Aggressive expansion in UK, taking over other banks
- Rapid international growth
- "An international bank that happens to be based in Scotland"
- Biggest bank in the world!
- Bad banking practice
- Bailout cost £46 billion and a form of nationalisation
- No prosecutions
- Legal cases and public ownership continue





FINANCIALIZATION

- "...the substitution of trading and transactions for relationships...the restructuring of finance businesses.....broader economic effects on stability and inequality.....[linked to] market fundamentalism....the exaltation of the role of the trader" (Kay, 2015)
- Relationships: *Gemeinschaft* to *Gesellschaft*
- Restructuring – move away from mutuals and partnerships
- Risk becomes financialized and 'managed'
- Exchange value dominates



Fisher's 'misinterpretation' used in business literature and reporting (Wray, 2016)

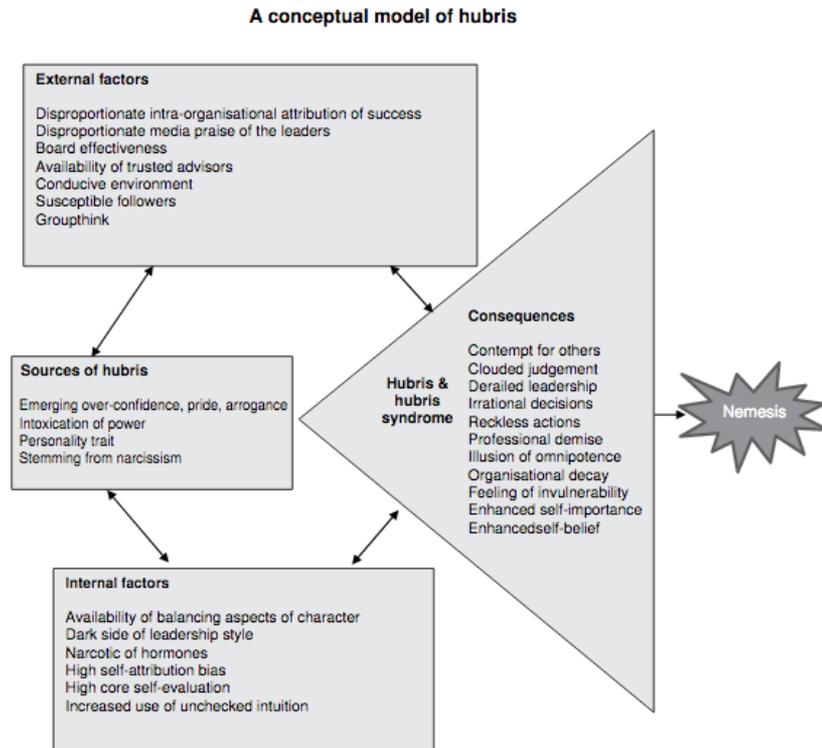


Figure 12.1 A conceptual model for understanding hubris





HYBRIS IN THIS CONTEXT

- Popular usage in financial commentary and within the industry -'deal fever'
- Ambition – when does it become hubristic?
- Dishonouring the competition?





ARISTOTLE

- *Hybris* as a disposition - wealth and power (if not youth)
- *Hybris* as a form of injustice – entailed in its other-regarding nature
- *Hybris* as delusion? (Lord Stevenson and the HBOS Board)
- Financialisation
 - exchange value's complete triumph over use value;
 - subordination of human relationships;
 - exaltation of the role of the trader;
 - absence of Aristotelian particularism





ARISTOTLE AT THE BOARD TABLE

- Justice
- 'Man is a political animal'
- Exchange as a zero-sum game – the opposite of Aristotelian exchange
- A practical approach to ethics





DISCUSSION AND BIBLIOGRAPHY

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