

Appendix I: The Snob Theory of Financial Rectitude

The City of London used to be socially select. It was peopled by Old Etonians and Old Harrovians, who were not very bright, but were quite quite OK. Then the Big Bang came, and social barriers were removed. and barrow boys from the East End proved to be expert traders. But there were problems. Barings was bankrupted. and in the first decade of the twenty first century later there was a general collapse, with the government having to buy up beleaguered banks, and spend a lot of money it had not got to save the financial world from insolvency. What had gone wrong? Bankers and other financiers had forgotten that they were stewards of other people's money, with a duty above all things to be prudent, and had started going for short-term profits without regard to the risks involved. One started a hedge fund to invest in hedge funds. When questioned about the long- term viability of such an enterprise, he parried the question, and said "You have forgotten the IBG factor". "The IBG factor? What is that?" "I'll be gone". A respected Member of Parliament recalled how when he was a young stockbroker he once went to the senior partner and said "I haven't anything definite to go on, but I don't like the smell of this proposal" to which the senior partner replied "Have nothing to do with it then; we can manage without that business". Now, he said, the response would more likely be "Go and get our legal department to find a way of staying clear of the law".

No doubt many of the old buffers who used to be in the City were by nature honest and honourable men—certainly some were. However, it should not be assumed that absolutely all were. But for those who were tempted to cut corners or make a quick buck there were other incentives to keep them none the less on the straight and narrow path of rectitude. The social cost of being even suspected of crooked dealing was high. Wives and daughters would not be invited out to coffee mornings and dances in Surbiton. The old-boy network meant that not only were you under review by your peers, many of whom had known you since boyhood, but that public opinion, formed by considered judgement and close acquaintance, was effective both in the City and in the home life of each individual in the suburbs.

Regulations are no substitute for informed judgement about what is sensible and right. It may be that the spirit of the ages is against an exclusively Etonian Exchange, but we need once again to create somehow the *ethos* of honesty and prudence with some support from social institutions and social sanctions.