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The appropriate banker and the need for ontological re-positioning

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Abstract

It is obvious that the bankers of this world have failed miserably. Top managers have failed to know what was going on in their organization (or worse). At lower levels of bank the employees have failed to realize that they were gambling with other people's money. Professionally and morally the financial crisis is a disaster. The problems for regulators and scholars are profound. There are compelling reasons to seek new bearings by re-positioning the banker as a responsible person in a socially responsible industry. Such re-positioning is an exercise in ontological reasoning on "the appropriate banker". It uses actor-network-theory, dialogue studies, virtue ethics, and a socio-cultural approach to learn to build a model to guide observation of bankers in action. In her practice the main risk for the appropriate banker is 'disconnect' (not listed among the risks bank management systems should model).

Keywords:
Financial Crisis, virtue ethics, bank management, ontology, managerial disconnect.

Background and introduction

Davies (2010) points to 38 explanations to the financial crisis in the literature. A number of national public investigations, like The Financial Crisis Inquiry Report (2011) for the USA, have reported complex patterns of mismanagement on several hands. Krugman & Wells (2010) identify four main types of causes discussed by scholars; the low interest rate policy, a global savings glut, financial innovation going berserk, and moral hazard generated by government programs. Madrick (2011) gives a disturbing account of how individual greed and power play have repeatedly interacted with lax oversight to generate crises. Sorkin (2009) claims to base his account of the efforts to save Wall Street on more than 500 interviews with insiders. Still reading those texts does not give a feeling for how those failed organizations, like Lehman Brothers, functioned as organizations. The finance discourse is based in ideal assumptions about markets. Part of that set of beliefs is the assumption that banks or other financial institutions are rational, well informed actors on the markets (Greenspan's credo).

Let us assume for a while that the crisis is the result of managerial failure. Lehman Brothers failed because nobody would lend money to a company that had overvalued its assets to such an extent that it would be unlikely to meet its obligations. US Treasury Secretary Paulson, former CEO of competitor Goldman Sachs, would not save Lehmans, but initiated an expansive rescue operation for AIG; too big to fail that insurance company was deemed "system critical", which means that the financial markets are looked upon as a system, i.e., as an organization, not as a set of self-regulating markets inhabited by independent rational actors.

The "solution" to the crisis, this time as well as so often before, is reformed regulation. This time the Basel Committee, and a host of other global regulators, aims for a higher level of capital coverage, risk-weighted of course, to serve as buffer the next time. Probably not, since it is the nature (?) of financial institutions to test the limits by financial innovation. This time many tripped, 7 out of the 10 largest bankruptcies in the world since year 2000 were financial organizations (Euromoney 2009), the next time it might be "sovereign debt" (what a nice word) that provides the trip wire. Or agriculture? For the last 20 years national agriculture has been unprofitable, still the price of farmland keeps rising because banks lend money to farmers on the increased value of their land – and a farmer that gets his hand on money will buy more land. In this way banks interact with their context generating path dependency that, if imitated by a large enough number of actors, will create a bubble. Such interaction happens not only between banks and their clients, but also between banks and the state (lawmakers, regulators, monitoring authorities). Arguments for de-regulation were awash after the market economy side had won the struggle with socialist systems and declared the end of history (Fukuyama, 1992). These arguments presented skilfully by lobby organizations were persuasive, the obstacles to further development of markets needed to be dismantled. Inside a period of 25 years the institutional framework, within which bankers carry out their tasks, changed fundamentally. New cadres flooded the financial sector with new toolboxes of models and products. Expansion in many dimensions followed, control systems could not keep up.

Johnson & Kwak (2010, p. 3) start their book on how Wall Street took over with an account of the meting in late March 2009, between 13 bankers and President Obama where the theme was "we are all in this together". Major banks had become too big to fail (but they became even bigger after the crisis) and the general public and some commentators were upset over the pattern that emerged; the upside (huge profits) goes into very generous bonus schemes, while the downside (huge losses) is taken care of by the taxpayers. If bank customers and taxpayers have to assume such huge risks for banks to be able to conduct their business as they see fit one could at least require that the banker realises that the bank is a social institution, mediating in time and space between those that save and those that have good investment projects. It requires trust not only by shareholders, but also by society at large to be allowed such mediation. One might object that societies do not trust, people do, and banks do not behave, their employees and representatives do. Yes! That is the argument for focussing on the banker as a responsible person in this paper. The appropriate banker must deserve trust and in order to deserve it she must acknowledge legitimate influences from society. To give structure to these influences the corporatist approach (Streeck & Schmitter, 1985) is chosen. In a societal context regulatory influences may be expected from three quarters:

- State (Problems solved by bureaucratic control)
- Market (problems solved by competition)
- Community (problems solved by applying knowledge-based professional norms, self-regulation)

The state sets the rules by legislation and administrative rules. It can be and is influenced by debate and lobbying, but its procedures are strict and transparent (mostly) in order to assure that citizens can plan their action with foreseeable consequences. The Basel II regulations should be considered state regulation. It was negotiated as a supra-state set of rules with representatives of different states reaching compromise solutions. Each state is monitoring the implementation of these rules in its territory, but most banks have business across states today.

Markets are designed (at their best) to allow the best solutions to emerging problems to win by competition. It is quicker than the state, but does not care too much about those who did not win. In the long run the market economy will in all likelihood provide better also for those who lose as an honest welfare state may re-allocate some of the surplus generated.

Spokesmen for the market promoted the shareholder-value doctrine. Markets are dependent on correct information about the future and rational behaviour from market participants, (which we know is not achieved most of the time). Market actors may see an advantage to themselves in manipulating information. Accounting should be better regulated in the name of the market. One obvious example is the “fair value” accounting standard, which invites manipulation. Under this rule assets can be valued by using a model (like Black & Scholes) or experts when markets are not well functioning (which they are not for the bulk of financial instruments traded OTC). The problem with a model like Black & Scholes is that it assumes that there is a functioning market, but it is used when there is no functioning market! So the appropriate banker should be on the lookout for manipulation.

Communities solve problems by consultation and professional judgement. The largest consultancy firms today were previously known as audit firms - they do not call themselves audit firms any longer because their main business is consulting, i.e., providing solutions for how to remove toxic assets from the balance sheet. There are auditing services too and auditors can serve cross-selling purposes while discussing with clients. Formally the auditing department is independent, but there is a market for consultancy out there related to bank regulation. All the major banks in Sweden used the same (expansive) consultancy firm to install systems required for Basel II clearance from the monitoring authority (their signature was the evidence of a well design risk management system).

Community relies on people. The knowledge of the wise and the experienced is a good basis for setting standards of conduct. The well trained are also the best choice when it comes to solving unique problems. Professionalism is applying - wisely, - general (scientific) knowledge to unique situations. Self-regulation in knowledge-based communities generates wisdom by accumulating experience through debate and committee work. Good accounting practice was once articulated by national professions, but is now decreed globally and should be seen as state regulation (with lobby and all procedural strictures). The Basel Committee pronounces on good banking (still many banks failed in the USA and elsewhere). Evidence-based medicine is promoted in most countries today. However, when it becomes more important to follow the rules than to care for the good health of the unique case, professionalism may suffer. We have entered an Audit society (Power, 1997)

The regulation of good practices in society comes from all these sources. The balance may be different in different countries and it varies over time. But the three logics are always there. Regulation is never “mono-logical” as those who are regulated should be aware. In times of scandal or crisis, e.g., the state may be animated to impose stronger regulation, in times of growth in asset values the market may reward daring risk takers. But as indicated above the regulatory influences do not come "clean" towards the regulated to be applied without translations and integrations. Rather regulation as a whole seems to generate complexity these days, and complexity calls for appropriate judgement. The logic of appropriateness (March 1994) forcing the agent to ask herself: "What should a person like me do in a situation like this." Good advice should not be shunned, of course, but responsibility rests with the actor.

The banker will have to be aware of these influences in conducting her job to satisfy customers, shareholders, bosses and subordinates, as well as growth in the immediate surroundings. Without good, trusting customers the bank cannot fulfil its role in society. The banker will contribute to the trust in the bank by her conduct. In fact the bank does not do much, not even its policies or products do much. It is its employees that animate it all by their (appropriate) agency. The following (ontological) reasoning seeks to map the banker in context by first providing a conception of what constitutes a banker (a person equipped with practices, computers, algorithms and other gear), then I take a closer look at what constitutes action by a banker (working with words). Further, action is animated by passion (possibly passion for duty) and needs to be monitored by good judgement. The ability for good judgement can be improved via guided participation in a socio-cultural perspective. Finally, the concept of appropriateness as applied to the banking context is discussed. Implications drawn from the emerging picture, for research and for banking personnel policy conclude.

The prototype of an organizational actor/agent

MacKenzie (2009) presents a view of actors in finance, inspired by an approach developed in social studies of science and technology. He uses 10 precepts, that highlight the materiality of agents and markets in the financial sector – the fact that they (the actors) can only do what they do if they have access to the infrastructure of action, i.e., a large number of tools of the trade, rules, models, vocabulary etc. The actor is constituted in a material and conceptual context that we tend to forget or define away in our theoretical reasoning, as a matter of convenience. But sometimes this context strikes back as we observe things that we cannot explain within the confines of our theory-orthodox models. Then we have to (should) go back and scrutinize our ontology – are there assumptions about the nature of the actor and context that prevent us from seeing the unexplained phenomenon?

Central to MacKenzie's ontology of the financial actor is the concept "agencement" – the notion comes from Deluze (e.g. Deluze & Guattari, 2004) but its use here is rooted in actor-network theory (Callon & Latour, 1981), which in turn relates to the semiotics of Greimas (1986). This also inspired the linguist Cooren (2000 and 2010), who will discussed later on. MacKenzie's (ibid. p. 19) claim is simply that actors are agencements. His description refers to Callon, (2005). Since action includes a reflexive dimension that produces meaning the actor, necessarily, must include not only the individual, and not only the individual embedded in institutions, conventions and personal relationships, but also 'prostheses, tools, technical devices, algorithms etc' (MacKenzie points out that there is a word play involved in that "bien agencé" is the French for well equipped ('geared', today's player of 'World of Warcraft' would say)). Agencement includes the socio-technical arrangements that are seen as providing capacity to act and give meaning to action. Today, in the financial sector, a person who just presses function key F9 on his computer to have the option price calculated by algorithms he probably does not understand (and act accordingly) is called "an F9 monkey" (p. 21). The attributes of an actor are not fixed, however. The situation makes some of them, but not all, useful. The actor can mobilize them for action (like pressing the F9 key), but he can also mobilize 'arguments' (which will be central to the discussion later on as arguments may be based in virtues). The situation may force some attributes on the actor, like The Law of Contract specifies how a binding contract emerges from a deal. Intentionality (in the British sense, (Searle 1983)) presupposes a conscious effort to mobilize parts of the agencement for action and thus constitutes actor responsibility for the consequences of action. The guy who "pressed the F9 key" and lost 'other peoples' money cannot defend his mistake by telling his boss 'I just pressed the F9 key!'. Action in our society makes the actor responsible for the consequences.

Given this view of the actor as an agencement it follows that in the financial sector, where facts are essential (to its calculating culture) the production process of a fact is worth our attention. Traditionally a scientific fact does not have an author and it must be "liberated" from the circumstances of its production to be recognized (Latour & Woolgar, 1986). Scientists produce facts (recognized as truths about the world) by using proper methods. In the financial sector facts circulate that do not live up to such rigid standards. A market is "liquid" if the items traded can be bought and sold in substantial quantity at prices close to the current market price without delay or undue transaction costs. In order to make the market for interest derivatives liquid the British Bankers' Association establishes a London Inter Bank Offered Rate (LIBOR) every day by contacting a large number of banks and ask them for the price at which they are willing to lend money to well-managed other banks. The market price standardized in this way helps the market be liquid by establishing a fact that goes into the different calculating equipment used by actors in action. The calculation machinery needs to be fed facts, natural or fabricated.

Obviously actors in the financial sector are embedded in LIBOR, rules and regulations, social networks, and not least their computer gear (preferably with a shorter cable to the transaction centre than the competition, and a faster processor), but in following a rule an actor is engaging in a finitist process. Normally, in scientific discourse, a concept is defined in advance and we apply it to determine if an instance is A or not-A - the concept has a fixed meaning (anchored in definitions or ontological assumptions, like that markets are effective). In this way it is possible to divide the universe in As and non-As. In a finitist view, on the other hand, one cannot divide the universe in advance into As and not-As. It is a matter of judgement – all we have to build on is a finite set of past applications of As to particular instances. When a new instance emerges the problem is to determine if its properties is sufficiently similar to previous application to warrant classification as an A.[1] This is judgmental since every situation is different in its details. Accounting is full of such finitist classifications; what counts as an asset, when is a transaction realized, what is the value of an asset where the market is not liquid? An actor can mobilize arguments for his classification, arguments that may be judged compelling (or not) by other actors. In this way actors can establish contexts that will induce other actors to classify instances in certain ways, for instance by economists and politicians arguing for deregulation in the name of the Efficient Market Hypotheses, or financial sector companies engaging in lobby efforts against regulation initiatives, or establishing as a fact that that financial innovation is beneficial (although economists, like Krugman and Stigler, claim that it is difficult to detect any benefit (to society) from latter-years' innovations in the financial sector (not counting the ATM)). A "quant", one of the professions in a bank, will use her mathematical knowledge to devise a financial instrument based on some cash flow (landing fees on Greek airports) and a model for pricing that "product" (bonds of the Greek state). If clients accept the banks offer to invest in that instrument (and/or a related risk reducing derivate) a(nother) market has been established, and a large set of regulations apply (like fair value accounting for holding gains or losses).

Following Sue Llewellyn (2011) we may distinguish between different conceptions of actors in the literature, beside the abstract (rational) decision maker of classical micro economics, we have

- The agent, i.e., the perpetrator who initiates action, but is endowed with a dominating self-interest that risks moral hazard and has to be watched and incentivised by the risk neutral principal (according to agency theory).
- The actor, that has the ability to enter a role and act according to a script or set of rules(and the director's advice).
- The person, that has the ability to 'personify' a role (reference to Archer

[1] Lépinay (2011) gives a detailed account of how the trader has to watch both the price generated by the computer model and the current movements on te market in taking the right hedging decisions

> 1988) in the sense that she articulates general principles and rules in sincere action (including speech), i.e., is able to justify action in terms of good arguments.

We need 'persons' for regulation to have beneficial effects on society.

The acting person

The person seen as agencement, with all her gear, concepts and algorithms need to communicate to act on the world. This is not an easy thing since, as Cooren (2000) discusses in detail, it is the hearer rather than the speaker who determines the meaning of what is said. The speaker may have an intention to give a command or make a promise, and she may form the correct sentence for it, but it is the hearer who confirms that it worked by acting accordingly.

Why would somebody want to give a command in the first place? The speaker might see an 'imminent and present' danger and shout at somebody who is about to step out into the street: "Watch out!" to avoid an accident. The speaker is animated into action by a process that points in the wrong direction. She feels an obligation as a responsible citizen to shout a warning. She has to do it for her own sake as well as for the pedestrian who is about to cross the street. For her own sake because she is a responsible citizens and such people give warnings when danger is imminent. For the pedestrian's sake so that he might watch out. Hopefully she will animate the pedestrian to take care to avoid being run over by the traffic. If she succeeds she has made a difference for the pedestrian, and she has done something with words.

But people are animated into action in other ways than by being yelled at. Cooren (2010) points out that Othello killed Desdemona out of jealousy . He loved her so much that if he could not have her nobody else would either. Iago provided information that manipulated him into action. But it was a strong passion (jealousy) that blinded him for other passions, and made him do it. He was passive in the sense that he let jealousy take control of his mind. The irrationality of his action consists of being controlled by one passion only.

Passions animate us. Passion relates to passivity. The passionate philatelist might travel around the world to get hold of that rare stamp, sell his car, or do whatever it takes. The passion appropriates him so that he becomes a philatelist and is recognized by others as such. He lets it take up a significant part of his time. It gives meaning to his action. We say 'only a true philatelist would behave like that!' A rare stamp would constitute a appreciated (goodwill generating) gift to such a person.

Duty may be a passion for some. But, more modestly, it can also be called upon to speak for us. As a management researcher one will sometimes encounter an employee of the company who will say: "Sorry, due to company policy I cannot give you that information!" Here the employee lets company policy speak for her and at the same time she will demonstrate her respect for the policy (or those who instituted it, or for the principle of rule following as a duty in organizations). People in organizations and everywhere else will mobilize policies, principles, rules, virtues, and the like, to speak for them. They also speak in the name of the organization. The policy becomes part of the culture when it is taken for granted and becomes part of the "textscape" (Cooren, 2010, referring to Keenoy & Oswick, 2004). Organizational members incarnate the policy in their action, i.e., give 'flesh and blood' to an abstract principle as it is applied "yet another first time" (an expression introduced by Garfinkel (2002) to mark that action is taken in unique situations).

To mobilize a "figure" (a policy, a virtue – a 'thing'; the word 'thing' comes from the Nordic word denoting the place where important matters are discussed) to speak for you is called "ventriloquism" by Cooren. The ventriloquist lets her voice come from somewhere else (the stomach) and lets her dummy say "truths" about society that make the audience laugh. The skilful "vent" can listen to the dummy with interest while talking to herself. She mobilizes the dummy to speak for her and usually takes a conventionalist attitude in her responses to the dummy. In our daily life we let "figures" of different kind speak for us.

A third concept used in Cooren (2010) is 'incarnation' meaning that an abstract "figure" is given "flesh and blood" in application to the world. Justice is provided with meaning by being applied to concrete cases (instances, is it an A or a non-A?). Fellow members can see a principle or policy in action by observing these instances (and nodding approval). The meaning of a principle and the related concepts are incarnated in this particular organization through these specific applications (compare Wittgenstein's (1951) "forms of life"/"language games"). The problem with such in-group established meanings is that the conventional (dictionary) meaning of words is always there as a ghost. Organizational members who do not see the point may fall back on this conventional meaning (like we fall back on stereotypes when we do not understand the behaviour of our new German boss – Germans are like that).

In sum, Cooren (2010) points out that it is not only the problem that the hearer determines the meaning of what is said. It is also the fact that a number of "figures" are mobilized in discussions to speak for us, or in whose name we speak, or which are incarnated (embodied) in this specific situation. This generates a disturbing space for misunderstanding in discourse, but it also generates opportunities for innovative building of structures as people react to each other's figures. The age-old problem of agency vs structure (cf Archer 1988) seems to have a possible solution as the structure emerges in dialogue. Cooren (2010) points out that it is a mistake to see communication as taking place in organizations – a better view is to see communication as (constituting) the organization. The problem introduced by the simultaneous appearance of multiple 'figures' in communication is one of judgment. How am I to understand this con-figuration of figures? What kind of situation is this? What is a person like me supposed to do in a situation like this? What action is possible given the rules of the game here? How can I give meaning to a certain act?

Judging arguments

The figures thus mobilized in communication will appear in our span of attention as arguments or backing for arguments. If we, like Othello are consumed by one passion (jealousy), which is agitated by misinformation (by Iago), reason will have to be used to moderate the passions. Again, Othello's irrationality stems from his letting himself be lead by one passion (note "be lead by"!). Some arguments may represent different passions. If it is the case that the passions animate us into action, how should we then go about applying reason to them in order to be able to act as prudent members of this or that organization (or society)? Hirschman (1977) gives a thought provoking account of the philosophical discussion of passions and interests as modernism broke through. Originally the discussion dealt with the protection of the people against the passions of the prince. One line of inquiry built on the idea that passion could only be controlled by a counter passion. But Adam Smith and especially his forerunners arrived at the conclusion that the passion of "improving one's condition" (now we say "greed") is suitable as the superior passion because it is innocent. The person working hard to 'improve his condition' will have no time or patience for mischief. Since that time economists of the world have celebrated profit as the most civilized passion (=prudence, c.f. McCloskey 2006) of all, and the triumph of capitalism is the evidence to prove it. There are some economists who argue against the one-dimensional approach to rational decisions (Akerlof & Shiller, 2009 are prominent ones) claiming that there are also other passions that animate us. Akerlof & Shiller present 5 "Animal Spirits" that can contribute to explaining the current and previous economic crises.[2] It is significant that there are many passions to control in a person as well as in an organization. I believe that Toulmin (1958) has provided an approach that can help us understand deliberation when facing multiple passions (or goals, or arguments).

Toulmin demonstrates dissatisfaction with the dominating approach to logic in academia, which solves the problem by 'formalization' to make the problem fit the original form for deductive logic – the syllogism:

[2] The term is borrowed from Keynes who used it as a collective term for the irrationalities of investors. In the current financial crisis it seems obvious that the irrationalities that let the crisis come to fruition were to a considerable part those of bankers unable to control their organizations' excesses.

Socrates was a man	(A was a B
All men are mortal	All B's are C
So, Socrates was mortal	So, A was C)

The point (and appeal) of the syllogism is that it guarantees that the conclusion is right if the minor and major premises are true. One can see that the conclusion is independent of all references to the world by examining the parenthesis. The appeal of formal logic is that it generates a world of models that provide material for calculation where conclusions are certain to be valid, given the premises. In modelling phenomena of the financial world (like risk) one often tends to hide or forget all the assumptions that the model is built on, but which are seldom met. The banker will act in the ('real') world of finance.

Toulmin's solution to the problem of drawing conclusions about the world (substantial as opposed to analytical ones) is to use jurisprudence as a guide. In jurisprudence a procedure is designed for all sides to be heard and information judged according to relevance and significance. It recognizes that things can be seen from different perspectives and that different arguments can be mobilized for the participants' cause. It is therefore important to allow for expressions of degrees of confidence in claims and to foresee rebuttals from those viewing things from other perspectives. Central to Toulmin's model is the *claim*: the statement that something is the case ('Harry is a British subject'), and the *evidence* that supports the claim ('He was born in Jamaica'). A judging hearer will ask why this is relevant information. The *warrant* for relevance is that 'people born in the former colonies have the right to British citizenship'. This warrant has *backing* in an Act of Parliament. There are exceptions, though, like if the parents had become naturalized US citizens. So, the correct claim would be 'Presumably Harry is a British subject.' "Presumably" expresses the degree of confidence the speaker has in the claim.

Toulmin's model (1958):

Claim → (Qualifier) Evidence

Warrant (relevance)

Backing (e.g., law or theory)

(Rebuttals possible for each statement)

Now, returning to Cooren's discussion of figures (like company policy, or the principles of virtue, like justice) that are mobilized in communication, we can see that such figures will turn up in the shape of warrants. An engineer participating in a project to develop a new car model (Jönsson, 2004) will claim that costly changes are required to reduce road noise because quality is a celebrated company value. If our product is to be considered a premium product road noise has to be reduced to at least X, and this is the best way to achieve this. Strict budget limits for the project are broken through with the blessing of top management, who cannot go against their own policy (it speaks for them). But the project leader may expect counter pressure from the top for savings in other parts of the project. Such cost savings, in turn, may be achieved by project members doing "skunk work", i.e., by working extra hours without claiming overtime compensation, or – of course the accountant will not allow such cheating - charging hours to some other project. It is, after all, one of the most exciting jobs they have been engaged in and they are anxious to contribute to a successful outcome. This has to do with their identity (I am a development engineer and I worked with the engine of the Y model). The complex context, together with the perspective and attention of the observer, will influence what figures are mobilized and recognized as warrants in situated communication. Reason will moderate passion (Hirschman, 1977) through a prudent application of Toulmin's model from "The Uses of Argument" (1958). Cheating and deceit will appear, but will be judged by members, and, thus, risk incurring negative reflection on identity. We may recall that Adam Smith[3] (in Theory of Moral Sentiments (1759)) claimed that people seek sympathy in the sense that an impartial observer would consider their action right and proper. He pointed out that this drive toward sympathetic recognition generates community as an unintended consequence - a collective feeling of responsibility for our fellow members. Adam Smith was interested in unintended consequences; markets are the unintended consequence of people's striving to improve their lot according to Wealth of Nations (1776). Individual passion for appropriateness will produce unintended consequences like good organization. Hirschman (1997, p. 131), in his discussion of passion and interest, points to the need to *discover* (also) the intended but unrealised effects of social decisions. His argument is that such intended but unrealised effects tend to be forgotten or actively repressed, which makes it so much more difficult to learn from experience. The economist in us would agree.

Virtues in judgement

Such is the context in which arguments are judged. According to Cooren (2010), furthermore, a multitude of figures are mobilised in communication. This generates a general condition of undecidability (on "objective" grounds).

[3] I am aware that there are differences of opinion on how Smith should be read. I have taken inspiration from Ottesen (2002) for my interpretations.

The individual has to rely on his/her personal judgement in complex situations, and if the specific situation is objectively undecidable it is a good idea to use societal virtues as crutches in deliberating a prudent basis for action. When the specifics are too complex ”use general virtues for orientation”, could be a maxim for bankers and others. And it is up to the individual. Stoner (1961) introduced the idea of "risky shifts" claiming that his experiments showed that groups tend toward more risk than individuals. Moscovici and Doise (1994) have shown that the shift toward extreme positions for groups, as compared to individuals, applies also in situations without risk. Research on risk has been dominated by the statistical conception of risk, but the appropriate banker works case by case, and she wants to avoid every individual loss on credits. What tools does the virtuous banker have at her disposal?

McCloskey (2006) provides us with a historical account for the philosophical development of virtue ethics and gives us 7 basic virtues. Interestingly she has 4 warm, caring, maybe passionate virtues in her scheme (she calls them sacred), and 3 cold, calculating, pagan ones:

Love	
Faith	sacred, passionate
Hope	
Courage	
Justice	
Temperance	pagan, calculating
Prudence	

The point is that the virtues may animate us into action. In a sense they have to do with goal setting or intentionality. We do it for the sake of Love (or Prudence). Intentionality does mean different things in different systems of thinking. The Continental idea of intentionality has to do with attention directedness, while the Anglo-Saxon idea has to do with goal directedness (Searle, 1983). I would prefer the Continental approach here since the orientation in complex situation, with the virtues as tools, is a matter of focusing attention on the arguments for taking a stand (a responsible decision). Trust is nurtured by virtuous decisions (and consequent action). Societies prosper when there is widespread trust (Fukuyama, 1995, Greenfeld, 2001). The individual's striving for sympathy (that given the circumstances, and my task, others will consider my action right and proper), will be akin to membership work. Such work (Munro, 1996) consists of two strands; Identity and Alignment. In order to be a member I have to be considered by other members to have an identity as a contributing, competent member. My contributions are recognised so far as they are aligned with the mission of the group in question. The alignment does not necessarily have to be the primary concern of the member doing membership work. I may, e.g., submit a manuscript to a scientific journal as part of my career plans, while the journal editor may look upon the manuscript in terms of to what degree it supports her goal to improve the ranking of the journal. Different missions meet and "collaborate" for a while. I become one of the contributors to the journal mission and my CV is improved. Two missions furthered by my "submission". The point of mobilising virtues as arguments in support of a claim is that virtues tend to be valid across (organizational) cultures, and as such they may be readily observable also by outsiders (like researchers).

Improving your capacity for good judgement

Judgement in context can be learnt. One approach that emphasizes the interaction of social and individual processes in the co-construction of knowledge is Vygotsky's framework (John-Stener & Mahn, 1996). This sociocultural approach has had a revival over the last few decades (c.f Lave & Wenger, 1991,Wenger, 1998, Schatzki, 2005). Vygotsky himself wrote in the 1920s and -30s and died young.

John-Steiner & Mahn (1996) give the following overview. Learning and development is guided participation. Learners participate in a wide variety of joint activities that provide opportunities to synthesize and integrate several influences. Learning, thus, is situated and should be seen as a historical process. Vygotsky called his view of development as historical process a genetic analysis. It emphasizes the interconnectedness of phenomena. Learning is semiotically mediated meaning. A person is shaped by the tools (language and other symbolic systems) and instruments that she comes to use (compare MacKenzie's "agancement"). This mediation is central to Vygotsky's understanding of the individual's access to the cultural tools. But most members of any sociocultural thought community differ in interpretation of phenomena (cognitive pluralism). This is why learning is transformative (rather than transmissive). The individual has to integrate new insights into the knowledge that the individual has stored so far. This justifies the dialectical method that Vygotsky promoted. The unification of contradictions that this implies rejects the traditional idea of gradual accumulation of separate changes in knowledge. Instead learning is a matter of periodicity, unevenness, in overcoming impediments to learning.

Illustration: To learn to use the concept "dog" the learner has to be confronted with several instances of dog (big dog, black dog, small dog, dead dog…), but not only that; by being confronted with things like a "cat" (a non-dog) the learner will discover the limits to the "dog" concept – and the need for a higher level concept like "pet".

The focus of the sociocultural research on learning is on how the learner internalizes the knowledge that is co-constructed in interaction with the context in formal and informal settings. The psychological framework for such internalization of, sometimes contradictory, experiences is built on two intuitions (Bakhurst, 1995, p. 159):

> The first is that *meaning* is the medium of the mental and meaning is (in some sense) socially constructed; the second is that the human mind, and the forms of talk in which human beings explain and predict the operations of minds, should be understood on the model of *tools*, and the like artefacts, we cannot make sense of them independently of the social processes which make them what they are.

The implication of this socio-cultural understanding of learning and development is that the individual banker needs to be subject to 'guided participation' in a variety of situations to be able to integrate a toolbox that will make her an appropriate banker. Formal education (like learning statistical modelling) provides a general language tool but in order to be appropriately used as a tool in social settings – in order to be site smart - it has to be given meaning in situ. Managed career planning with exposure to instances in varied settings is called for. Professional mono-cultures breed learning handicaps.

Another point of importance is that when the appropriate banker acts she acts with words (communicates). The problem with doing things with words is that you lose control over the meaning of an utterance as soon as it is uttered. We all, not least as parents, know the fundamental truth of this. The intention of the speaker must be clear to the hearer and the speaker must be seen as sincere for the communication to be successful. But this is only one side of the communication. The hearer will start her interpretation of the meaning of the utterance as soon as it is said (or even before) by placing it into context with the help of a narrative format (see Cooren 2000):

1. What animated the speaker (Want to do/Have to,do),
2. What competence does the speaker have (Know what/Know how)
3. What is she doing
4. What are the sanctions?

This format provides a default framing of meaning. However, Cooren (2010) shows that in addition to the power of the hearer to determine the meaning of what is said, there is the complicating aspect that we mobilize "figures" to "speak for us" in abundance (like rules, policies, values, or virtues). This makes the meaning of what is said objectively 'undecidable'. We, and the appropriate banker, have to use judgement of arguments or constellations of arguments. We act on judgement and "read" how the organization responds to learn proper practices.

Sometimes arguments are explicit and openly exhibited. At other times they are implicit. Grice (1989) develops a large number of variants of 'implicature'. He uses the following scene to introduce the implicature concept (p. 24). A is asking B about how C is getting on with his new job at the bank:

A: How is C getting on in his job?
B: Oh, quite well I think; he likes his colleagues and he hasn't been to prison yet.

B achieves an implication here by saying more than the question requires as an answer. A has to work out the implications. Is it B who does not approve of work in banks, or that B considers C to be an unreliable banker, or some other implication? Knowledge of context and ability to integrate message and context will generate the implication that seems relevant and the need for evaluation, e.g., on a scale of virtues or values.

Efficiency in communication presupposes a common understanding of context. We often give the name 'culture' to the context in organizations or in a narrower sense we could talk about 'business models' to denote how good work is supposed to be conducted here. A business model or a 'culture' is constituted by a host of rules and practices inside which members can use code that is difficult to access by non-members. The authority of such behaviour control mechanisms stems from its historical success (obviously), but also from its champions. In organizations with 'strong' cultures we often find legendary leaders who 'stands for' the culture. A socio-cultural approach to learning (and studying) the practices is recommended.

Appropriateness – the application of judgement in context

Appropriateness is a moral and ethical concept (as might have been noticed from the text above) that refers to values in context. The main argument for applying judgement in the manner indicated above is that information (data really) that is available comes to use in an integrated way. The integration of data into action information is an act of judgement about relevance and implications. The person doing judgement must exhibit self-respect and authenticity (Dworkin, 2011) but also alignment with the policies of the organization and the needs of the client. Nobody is completely independent in judgement, but the alignment with context must be voluntary, i.e., responsible. Integration of all the different dimensions and arguments that come into play in a real situation is successful when the appropriate banker is willing to act upon that integrated information.

Top management that wants to influence the actions taken by the appropriate banker need to "surround" the banker with dialogue on values. Most effectively this is probably done by comment to recent action ("Talk the walk", Weick (1995) would call it).

Summary and research implications

The argument here is that the appropriate banker is embedded in dialogues (='works with words'). In these dialogues the banker uses a set of tools (agancement) that is acquired through experience. As participant in dialogues the appropriate banker applies judgement in two dimensions. The first is the extension/intention axle where extension stands for the outreach toward customers and other partners outside the organisation proper. Good banking practices extends the organization to include loyal customers and trusting partners. Banks benefit from its customers' successful accomplishments of their projects and investments, and from building trust among long term lenders. In that sense banks grow with the surrounding economy and therefore are suitable for pension funds and similar actors to invest in. The intention end of the first axle stands for the goal of conducting operations efficiently. If successful in this intension the bank will serve well as a broker between saving and investment. The appropriate banker looks outward as well as inward in assessing information generated in dialogues.

The other axle in judgement is apprehension/comprehension axle, where the apprehension end stands for the ability to discern actual or potential information in the noise of daily business, and the comprehension end stands for relating bits of information to each other and to principles and values of the organization to give the complex of arguments meaning. By giving meaning to information (or, rather, to data) the appropriate banker makes the information and related action accountable. It is then possible to give appropriate reasons for action. By being able to give accounts for action at all times the appropriate banker does membership work, i.e., establishes and maintains identity as a competent member, and aligns action with the bank's current mission.

Incidentally, these two axles constitute the core of the model of experiential learning developed by Kolb (1984, p. 42, see also Jönsson, 1996). Kolb has a slightly different emphasis in the extension/intention axle.

The appropriate banker is thus geared to deal with a host of different instances, and is prepared with know how both concerning tools for diagnosis of situations and tools for designing the appropriate action in that specific situation. A heavy burden, perhaps, that requires many years to compose. I followed Callon (2005) in calling this conception of the actor, "agencement". It is the duty of top management in banks to see to it that employees have the right gear for their job and trust that they will use it wisely and skilfully. Then the bank can maintain a culture of responsible judgement.

Such a culture is essential in modern banking due to the fact that at least three work logics are at play in most banks; the traditional banker oriented toward credit assessment and customer relations, the trader oriented toward financial markets and holding gains, and the modeller oriented toward representing different risks correctly in statistical models. The culture will mediate between these logics even if neither profession may yield territory.

With the perspective of the appropriate banker every individual loan is considered manageable and close contact with customers will yield information that makes proactive measures possible to avoid default or limiting damage of default. Risk models a la Basel II will provide an overview, but proper bank management works by individual loan. Since the Basel II rules favour centralised action towards risk the appropriate banker will not feel at home in a bank that has adopted a Basel II based business model.

The ominous risk that the appropriate banker runs is to be disconnected from dialogue with the immediate processes of control. Such disconnect can be the result of faulty incentive systems that reward individuals for acting on behalf of the bank without proper concern for the good of the bank. It can also be an effect of the use of control indicators that do not relate to the action set available to the banker. It can, further, be a consequence of a mismatch between the responsibility given the banker and the room for using judgement in action. It seems reasonable to assume that the current financial crisis can in part be explained by too many bankers becoming disconnected from their responsibilities in the hectic struggle for growth in the sector. "Securitization" provides ample evidence of a 'disconnect' between original credit assessment and investment in financial instruments.

Implications

There are many implications for research should this sketch of an ontology for the appropriate banker be accepted (provisionally). One such implication is that research needs to focus on how bankers work with words and thus capture the conversations of bankers at work. The practical aspect of this is that the credit decision should be based on a memo, rather than on a number (like the American FICO). The memo will provide the good arguments that the banker has discerned for granting the credit (or other investment). The control system will be geared to this base document by having a medium ranged unit (regional office) that reads the memo and conducts a dialogue with branches on what constitutes good arguments.

The researcher could also do experiments where bankers argue the case for or against a specific loan proposition. Another, possibly more important, implication is the need to consider what it takes to work towards several, often contradictory, goals or interests at the same time. To be in passionate pursuit of (just) one goal may be dangerous, even if it makes it easier to turn decision problems into calculative ones. (Jensen, 2001) The danger lurks in the form of blindness to other dimensions (or disconnect), not least the ethical ones. In this sense each tool in the banker's toolbox needs to be scrutinized as to its feasibility per se and its effects in conjunction with other tools. Reason instead of rationality, in the narrow sense of optimization of one goal function, is recommended. The theoretical implications of such a choice, i.e., recognition of the field-dependence (Toulmin, 1958) of arguments, necessitates a re-entry of 'satisficing behaviour' in our research designs? Modelling constellations of contradictory arguments? The insight that moral values hang together and have to be rendered mutually supportive (Dworkin, 2011) makes it interesting to develop measures of values in context, something positive psychology has shown to be workable (http://www.ppc.sas.upenn.edu/index.html).

Banking practice needs to watch out for a proper balance between the different professions in a bank and how their (professional) judgement can be mutually moderating. The fostering of trust in the ability of the appropriate banker to assume the responsibilities that goes with freedom to use judgement in bank management requires strong leadership over long periods of time, and goes against the centralising power of current regulation and the frequent turnover of top management personnel. Education in bank management, possibly, should not start in theory of finance. And there is more.

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