Emotions in Finance

Fear and greed are terms that make light of the uncertainty in the finance world. Huge global financial institutions rely on emotional relations of trust and distrust to suppress the uncertainties. Many financial firms develop policies towards risk, rather than accepting the reality of an uncertain future.

Emotions in Finance examines the views of experienced elites in the international financial world. It argues the current financial era is driven by a utopianism – a hope – that the future can be collapsed into the present. It points out policy implications of this short-term view at the unstable peak of global finance.

This book provides a timely account of the influence of emotion and speculation on the world's increasingly volatile financial sector. The author includes absorbing interview material from public and private bankers in the United States, UK and Australia.

Jocelyn Pixley is a senior lecturer in the School of Sociology and Anthropology at the University of New South Wales, Australia. She is the author of *Citizenship and Employment*.

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Distrust and Uncertainty in Global Markets

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CAMBRIDGE
UNIVERSITY PRESS

PUBLISHED BY THE PRESS SYNDICATE OF THE UNIVERSITY OF CAMBRIDGE
The Pitt Building, Trumpington Street, Cambridge, United Kingdom

CAMBRIDGE UNIVERSITY PRESS
The Edinburgh Building, Cambridge, CB2 2RU, UK
40 West 20th Street, New York, NY 10011–4211, USA
477 Williamstown Road, Port Melbourne, VIC 3207, Australia
Ruiz de Alarcón 13, 28014 Madrid, Spain
Dock House, The Waterfront, Cape Town 8001, South Africa

http://www.cambridge.org

First published by Cambridge University Press 2004

Printed in China through Bookbuilders

Typefaces Adobe Garamond 10/12 pt. and Frutiger   *System* LaTeX 2_ε [TB]

A catalogue record for this book is available from the British Library

National Library of Australia Cataloguing in Publication data

Pixley, Jocelyn F. (Jocelyn Florence), 1947–.
Emotions in finance.
Bibliography.
For tertiary students.
ISBN 0 521 82785 X.
ISBN 0 521 53508 5 (pbk.).
1. Business enterprises – Finance. 2. Risk management. 3. Speculation. I. Title.
658.155

ISBN 0 521 82785 X hardback
ISBN 0 521 53508 5 paperback

To the memory of my parents, Lorna and Neville Pixley

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Preface

HOW I CREATED the precise idea of *Emotions in Finance* is the only event I cannot recall. My background in economic sociology led to some useful discoveries about the finance world. My work defending full employment and social policy was a bore to my postmodern colleagues and beneath contempt to neo-classical economists. From 1996, Australia's new right-wing government stifled policy debates: instead of decent employment we were to join a mainly Anglo-American society of shareholder capitalists; our compulsory superannuation must offer 'choice'. Globalisation, by 1997, had become a fashionable term, but I was struck by the IMF's treatment of our neighbour Indonesia: brutal yet totally incompetent. Meantime, I was reading the work of two sociologists, Jack Barbalet's on emotions and Geoff Ingham's on money as a social relation. Both struck a chord just as the dot.com boom was becoming insane. I am old enough to have experienced Australia's ludicrous mining boom. The scrip of Poseidon and Minsec shares bought by my former husband became pretty gift wrapping in 1971, we joked in that carefree time of jobs and freedom. My parents were of the cautious generation. To my mother, a mortgage was OK, better was paying it off. My father was a 'managing director', not a sainted CEO of today. Each had 'blue chip' share portfolios and we lived comfortably.

During the dot.com insanity, modest investors and the millions in investment funds were blamed for their emotions. As part of my world view, I had never been impressed by high finance's mendacity, its promotion of globalisation and its increasing lack of caution. Sociologists seemed captivated either by virtual money or a financial conspiracy, but I took another view, seeing the emotions of uncertainty as the key. Moreover, being on the periphery, Australia is a good vantage point from which to investigate the financial core, since Australia's business sector has copied and amplified its excesses. But we, the people, can temper globablisation, and instead strengthen commitments to international agreements in which economic policy serves social purposes and democratic processes, for which Australia once had some reputation.

Emotions in Finance was the title that attracted my two great publishing editors at Cambridge University Press: Peter Debus who enthusiastically and carefully saw me through, and Phillipa McGuinness who commissioned my idea. When I concluded, I briefly toyed with another title: *High Finance, Deep Uncertainty*. But when I began, my theoretical scepticism required evidence. What were the precise emotions that prevail? I needed 'informed sceptics', so I interviewed a number of influential people in the financial world. They gave me enormous support, arranging for me to interview others, carefully correcting my transcripts and revising their quotes (John Flemming only months before he died) and responding to my further queries generously, Henry Dale in particular. Many whom I lacked space to quote were also enormously helpful. I thank them all: while I am solely responsible for my conclusions, their own wisdom and commonsense shines through.

Jack Barbalet and Geoff Ingham gave sound advice, perfect references to other works and read the crucial chapters. Peter Kriesler has been my closest economic advisor: reading vast chunks of early drafts and tirelessly improving my sociological translation of Keynes. Paul Ormerod supported all my unorthodox endeavours, suggested interview questions on probability, introduced me to Meghnad Desai, Robin Marris and others in London. Both exceptional themselves, Carol Heimer helped me on one path to all the best in Chicago's economic sociology, while June Zaccone sent me to the best New York economists. My other debt is to V. J. Carroll, who inspired me about the urgent need for more sociological than economic analysis in the public domain, and to Mike Lazar, similarly.

There are many others (whole households in other countries) to whom I am grateful. Most and best of all two: my son Sam Dawson became an inadvertent and brilliant research assistant in New York City, Chicago, London and Canberra, at our own expense, and then my main informal editorial advisor. My daughter, Louisa Dawson, formulated ideas for design that ultimately became the cover: artists see while we just write. Both have firmly put up with my obsession involved in writing any book. I had enormous collegial support from my whole School, so while Clive Kessler found my most felicitous phrases and kept me going while Mum was dying, and Paul Jones helped in our shared teaching and was the source of my media understanding, everyone was great. Beyond my School, Michael Johnson saw the whole point of my early idea for the research; Alan Morris and Robert Milliken helped introduce me to financiers and journalists. The Faculty of Arts and Social Sciences at my university have been helpful for years, especially with my Writing Fellowship in 2003; so too the Australian Research Council in grants. Antonny Ivancic provided thoughtful research work, Aileen Woo and Louise Fraser similarly on the manuscript and transcripts, and Harry Blatterer translated, theoretically too, *entscheidungsfreudig*. Venetia Somerset, as the book neared completion, gave scrupulous copy-editing and calm intelligence to see the book out, and while with thanks to so many, any inadvertent errors are mine.

Jocelyn Pixley
August 2004

Abbreviations

AIB	Allied Irish Banks plc
AFR	*Australian Financial Review*
AMP	Australian Mutual Provident Society (Established January 1849; demutualised January 1998)
AOL	America Online
APRA	Australian Prudential Regulation Authority
ATTAC	Association pour une Taxation des Transactions Financières pour l'Aide aux Citoyens
BCCI	Bank of Credit and Commerce International
BoE	Bank of England
BoJ	Bank of Japan
CADs	Current Account Deficits
CB	central bank
EBRD	European Bank of Reconstruction and Development
ECB	European Central Bank
EMH	efficient market hypothesis
FASB	Financial Accounting Standards Board (USA)
FD	financial disclosure
FOMC	Federal Open Market Committee (US Federal Reserve System)
FSA	Financial Services Authority (UK. Established under the Financial Services and Markets Act 2000)
FT	*Financial Times*
GDP	Gross Domestic Product
HSBC	HSBC Bank Australia Limited (founded as the Hongkong and Shanghai Banking Corporation Limited in 1865)
HIH	HIH Insurance Limited (Australian-based)
ICI	Imperial Chemical Industries plc
IMF	International Monetary Fund
ING	ING Group (First titled Internationale Nederlanden Group in 1991)
IPO	Initial Public Offering
IT	information technology

LBO	leveraged buyout
LTCM	Long Term Capital Management (US-based hedge fund)
MAI	Multilateral Agreement on Investment (not ratified)
M&A	Mergers and Acquisitions
MPC	Monetary Policy Committee (Bank of England)
NAB	National Australia Bank
NAIRU	non-accelerating-inflation rate of unemployment
NYSE	New York Stock Exchange
OECD	Organisation for Economic Co-operation and Development
PR	public relations
RBA	Reserve Bank of Australia
REM	rational economic man
S&L	Savings and Loan (known also as thrifts, US mutual savings banks)
S&P	Standard and Poor's (US-based credit-rating agency)
SEC	U.S. Securities and Exchange Commission
SMH	*Sydney Morning Herald*
UBS	Union Bank of Switzerland (UBS AG since 1998)
WTO	World Trade Organization

Emotions in Finance examines the views of experienced elites in the international financial world. It argues the current financial era is driven by a utopianism - a hope - that the future can be collapsed into the present. It points out policy implications of this short-term view at the unstable peak of global finance. This book provides a timely account of the influence of emotion and speculation on the worldâ€™s increasingly volatile financial sector. Read "Emotions in Finance Booms, Busts and Uncertainty" by Jocelyn Pixley available from Rakuten Kobo. Sign up today and get $5 off your first purchase. Money is a promise with future benefits or dangers that are unknowable and incalculable. The financial sector is an atte...Â With the purchase of Kobo VIP Membership, you're getting 10% off and 2x Kobo Super Points on eligible items. Your Shopping Cart is empty. There are currently no items in your Shopping Cart. Continue shopping. Item(s) unavailable for purchase. Emotions in Finance was the title that attracted my two great publishing editors at Cambridge University Press: Peter Debus who enthusiastically and carefully. xiii. xiv PREFACE. saw me through, and Phillipa McGuinness who commissioned my idea. When I concluded, I briey toyed with another title: High Finance, Deep Uncertainty. But when I began, my theoretical scepticism required evidence. What were the precise emotions that prevail?