



**“It’s human nature to be greedy.” “You can’t change human nature.”  
“People will always be greedy.”**

Everybody agrees that the financial crisis was rooted in human nature. It is a cliché to say that financial markets are driven not by reason, but by fear and greed. Yet hardly anybody has stopped to ask what modern biology can teach bankers, broker-dealers, fund managers, regulators and central bankers about what happened before, during and after the financial markets crisis of 2007-09.

Until now.

On 21 September 2010 the Financial Services Knowledge Transfer Network is hosting a half-day seminar on What Evolutionary Psychology Can Teach Us About Human Behaviour in Financial Markets.

### **Is your bank too big to succeed?**

Modern financial institutions are invariably large, hierarchical and highly politicized organizations, in which alpha males take massive risks with other people’s money, and collect most of the rewards for themselves. The beneficiaries of this system believe there is no superior route to increased efficiency and productivity and to a higher standard of living. In fact, there is mounting evidence from the study of primates, as well as human social groups, that exploitation is bound to happen when groups get so large that nobody knows or cares about anybody else.

Robin Dunbar, Institute of Cognitive and Evolutionary Anthropology, University of Oxford

### **Why are bankers so unpopular?**

Bankers struggle to comprehend the scale of their unpopularity, and many remain in denial, accusing their opponents of ignorance, bigotry and lack of understanding of the vital social and economic role they perform. In fact, the hostility towards bankers is rooted in sophisticated cognitive mechanisms that evolved to help our ancestors avoid social exploitation. In short, bankers have violated one of the cardinal governors of human interaction: the rule of reciprocity.

Michael E. Price, Psychology Department, Brunel University

### **Why do men take big risks? Evolutionary and hormonal perspectives**

It's widely believed that excessive risk-taking by financial institutions may have played a role in the recent credit crunch. Given that women are conspicuous by their absence from senior positions on trading floors, could a "macho" culture of extreme risk-taking among male traders have contributed to the crisis? The study of hormones and human psychology indicates that men tend to have a much greater taste for risk than women, and that the willingness of men to take risks varies predictably according to the circumstances they find themselves in. For financial institutions, successful risk management may depend on understanding what drives men to take risks and the factors that can make them more or less risk-averse.

Nicholas Pound, Psychology Department, Brunel University

### **The cult of the CEO: have investment banks got religion?**

Fred "the Shred" Goodwin has become a symbol of the havoc wreaked by the dominant CEO in a major financial institution, yet no bank, broker-dealer or fund manager has yet dared to question the need for leadership by a single individual at all times and in all circumstances. Evolutionary psychology suggests that organizations which pick different leaders for different challenges – which adopt, in other words, a more collegiate approach to the management of the firm - are less dangerous in the short term and more successful in the longer term.

Nigel Nicholson, London Business School