**Nicholas Morris & David Vines, Capital Failure: Rebuilding Trust in Financial Services**

**Oxford University Press, 2014**

**Tom Malleson, After Occupy: Economic Democracy for the 21st Century**

**Oxford University Press, 2014**

"Trust the expert" says Diomedes in the *Aeneid*. He viewed expertise as the accumulation of personal experience, in his case the sight at close quarters of Aeneas in battle. Today we are more inclined to equate expertise with technical knowledge, certified by academic or professional qualification: it is what we have studied rather than what we have experienced that determines our credentials.

Trust in the financial services industry is currently at a low ebb and this is not healthy. Nicholas Morris and David Vines have gathered together a group of economists, lawyers, philosophers and practitioners to consider what might be done to rebuild trust in the sector. *Capital Failure*, the resulting collection of essays, provides a wide range of examples of how trust was lost and what might be done to recover it.

The book contains much of interest concerning, for example, the role of fiduciary law, inherent problems with performance-based remuneration structures, and the value of codes of conduct and ethics training in financial services companies. Although better regulation offers some hope of progress, a recurrent theme of the book is the need for deeper cultural change, beyond mere regulatory compliance. To become more trusted the sector must first become more trustworthy.

The most relevant contribution in this regard is made by Onora O'Neill in a chapter titled, 'Trust, Trustworthiness and Accountability'. O'Neill describes trust as "an intelligent response to evidence of trustworthiness" and she contrasts this concept with managerial accountability, narrowly defined, according to which managers are (not unreasonably) held to account, but (unreasonably) by managerial methods. Managerial accountability, in this narrow sense, works well only when the aims and outcomes of an organisation are easily measurable.

Intelligent accountability, for O'Neill, includes an account of what ought to have been done together with an account of what was done, to allow for informed judgement as to whether the performance was adequate or not. Those making the judgement must be demonstrably independent and the judgement must be communicated intelligibly to the relevant audiences. Expert judgement, in this account, requires a dispassionate understanding of what was achieved combined with a realistic expectation of what was possible.

O'Neill points out that managerial accountability cannot fully substitute for expert judgement, without some form of infinite regress: at some point we have to trust somebody's opinion as to whether what has been done is acceptable or not. She also notes that trust is redundant when we have full control, or complete evidence. Trust is only needed when uncertainty remains, for which reason the placing of trust carries risk, which can best be controlled by placing trust as intelligently as we are able, given the circumstances.

The standard story told about the global financial crisis is that greedy bankers took excessive risk knowing they could capture the upside benefits but that the rest of society would pay any downside costs. An alternative account notes that bankers, along with policy makers and regulators, underestimated the likelihood of a sharp fall in US property prices and failed to foresee the systemic consequences of such an event for the liquidity of the global finance system and thus for bank solvency. In this account the relevant failures were epistemic rather than ethical, and were located both inside and outside of the finance community.

Those, like me, who find the alternative account more convincing that the standard story are likely to think that ethical improvement is not the whole solution. For sure, the financial services industry needs to deal more forcefully with the "scoundrels within" if it is to regain public trust. But, equally importantly, it needs to find ways to explain to the public that much of finance is akin to a voyage into the unknown, and does not resemble the exercise of professional judgement based upon an agreed body of knowledge. The roots of the financial crisis were ignorance rather than greed, which means that we should hold bankers (and policy makers) responsible primarily for their intellectual hubris. In this instance, Diomedes' account of expertise is apposite.

Tom Malleson's book, by contrast, presents a re-statement of the moral and economic case for social control of the means of production, distribution and exchange (although his title is misleading since he has almost nothing to say about the Occupy Movement). Many of his proposals - capital controls, public ownership of banks, higher levels of taxation and redistribution - are standard elements of the critique of liberal capitalism. While he makes his case clearly, he provides little new evidence or argument that would convince those who are sceptical about the propensity of socialism to make us wealthier and happier.

Malleson is right to draw attention to the importance of improving the workplace experience, especially for those outside of professional employment. Modern societies would surely benefit from a greater experimentation with regard to company structure: worker and member cooperatives, social businesses and partnerships all have a valuable part to play in a diverse economy, alongside public and private companies. He shows little interest, however, in the economic factors that determine the optimal size and structure of companies, nor in the problem of how management skills are acquired and what can be done to improve them.

I suspect that well-trained managers - as opposed to elected managers - would make for better workplaces. This view doubtless reflects my preference for the prosaic realities of incrementalism over the heroic assumptions of socialism.