Bankers are better than their reputation

Replication studies find variation in banker culture

Berlin, November 14, 2019—Six years after the global banking crisis of 2008, a study found evidence that banking culture led to more dishonesty, whereas other professional cultures did not. A team of researchers from the Max Planck Institute for Human Development, the London School of Economics, and the Massachusetts Institute of Technology has now tested whether the study’s findings can be generalized to other countries and contexts. They found no evidence that banking culture invokes more dishonesty than other professional cultures. The study has been published in *Nature*.

The reputation of the banking sector was badly damaged by the financial crisis of 2008. Various scandals and negative headlines have since reinforced the idea that bankers are greedy and dishonest. A Swiss study on “Business culture and dishonesty in the banking industry” published in *Nature* in 2014 provided further support for this view. The authors investigated whether the culture of the banking sector caused participants to behave more dishonestly to increase their profits in an experimental task. The key finding was that bankers behaved more dishonestly when primed to think about their work, whereas professionals from other sectors did not. The authors attributed this effect to the corporate culture of the banking world. The results attracted considerable media and public attention worldwide.

But were the 200 bankers who participated in the original 2014 study representative of bankers worldwide, given that the experiment was conducted in just one country? Can its findings be replicated in other countries? Researchers from the Max Planck Institute for Human Development, the London School of Economics, and the Massachusetts Institute of Technology addressed precisely this question by running the same experiment with 1,282 participants in five different samples in the Asia Pacific, the Middle East, and Europe. The samples consisted of 768 bankers plus professionals from other sectors. “With the banking industry playing such a large role in economies worldwide, we sought to understand if banking culture is consistently problematic,” says Zoe Rahwan, researcher in the Center for Adaptive Rationality at the Max Planck Institute for Human Development.

In the experiment used in the studies, participants could increase their earnings by lying. Each sample was split into two groups. Participants in one group were asked questions about their profession before the experiment began; those in the other group were asked about their leisure activities. Participants then tossed a coin several times without anyone observing them, and entered their results online. In each round, they were informed whether ‘heads’ or ‘tails’ would generate a reward. This gave participants the opportunity to increase their reward by lying. Although lying was not assessed at the individual level, it could be detected at the group level: If nobody lies, the overall ratio of winning to losing outcomes should be approximately fifty/fifty. If a group claimed to have tossed far more winning outcomes, the researchers could infer lying in that group.

In contrast to the original study, in the new study, the researchers found no significant differences in bankers’ behavior depending on whether they were primed to think about their
work or their leisure activities. This indicates that the results of the 2014 study cannot be
generalized to all bank cultures. “We also found evidence that challenges the stereotype of
‘greedy bankers.’ Banker dishonesty was unaffected by whether a reward could be won for
themselves or for charity,” says Barbara Fasolo, Associate Professor of Behavioural Science at
the London School of Economics.

Similar to the original study, the researchers also explored the general population’s expectations
of banker honesty. Whereas in the original study, people expected bankers to be more dishonest
than, for example, medical doctors, this was not the case in the new study. This supports the
notion that banker culture differs from country to country.

In short, the new study could not replicate the findings of the original study. One possible
reason for the differences in findings is that in the wake of the 2014 study’s highly publicized
findings, only banks confident in the soundness of their culture agreed to take part in the new
study. Of the 27 financial institutions approached—including 14 investment banks—only 2
commercial banks were willing to participate. This selection bias made rigorous testing of the
original findings challenging. “In the wake of the global financial crisis, policy-makers have
continued to express concerns about the culture of banks. We hope this work provides a helpful,
empirically-based reminder that there can be significant variation in banking culture across
institutions and jurisdictions,” says Zoe Rahwan.

**Replication Study**

**Original Study**
Cohn, A., Fehr, E., & Maréchal, M. A. (2014). Business culture and dishonesty in the banking
industry. *Nature, 516*(7529), 86–89. doi: 10.1038/nature13977

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**Contact:**
Max Planck Institute for Human Development
Public Relations Department

Kerstin Skork
Phone: +49 (0) 30-82406-211
E-Mail: skork@mpib-berlin.mpg.de

Artur Krutsch
Phone: +49 (0) 30-82406-251
E-Mail: krutsch@mpib-berlin.mpg.de

Nicole Siller
Phone: +49 (0) 30 82406-284
E-Mail: siller@mpib-berlin.mpg.de

**Further Information:**

www.mpib-berlin.mpg.de/en
www.mpg.de/en

Lentzeallee 94 | 14195 Berlin (Dahlem)
Telefon: +49 (0)30 82406-0
Telefax: +49 (0)30 82499-39
E-Mail: presse@mpib-berlin.mpg.de
www.mpib-berlin.mpg.de