

Reconciling Market and Society with Banking Differently: a Social Network Analysis of *Ethos* in Greek Cooperative Banking in Crete

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CUA annual conference



&



University of Peloponnese
Faculty of Social Sciences

Department of Social and Educational Policy
Postgraduate Program: "Institutions and Health Policies"

CUA ANNUAL CONFERENCE

Market vs Society?

Human principles and economic rationale in changing times

Abstraction to present (theory, tool, case)

Cooperative Organization (Theory, in Social Economy)

*Locality, cooperation and
Trust in a Turbulent Era*

Social Network Analysis

(Tool, exploring relationships instead of attributes)

Economoscope

Ethos in transactions of local
economies

(ethics in business is contagious)

CBC case: Banking differently based on need and not on demand

(an idiosyncratic concept of Corporate Ethics and Community culture)

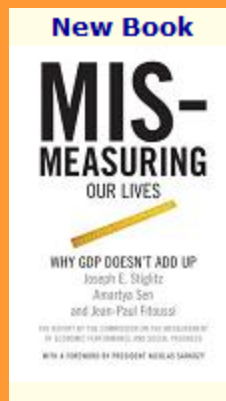
Stiglitz meets Ostrom on market communities towards cooperatives

Economic governance: the organization of cooperation

- *We ... have focused too long on one particular model, the profit maximizing firm, and in particular a variant of that model, the unfettered market. We have seen that that model does not work, and it is clear that we need alternative models. We need also to do more to identify the contribution that these alternative forms of organization are making to our society, and when I say that, the contribution is not just a contribution to GDP, but a contribution to satisfaction.*

The [financial] crisis is teaching us a very important lesson: those attempting to guide the economy and our societies are like pilots trying to steer a course without a reliable compass.

Joseph Stiglitz (2009), NP in Economics (2001)



[Joseph E. Stiglitz](#),
[Amartya Sen](#), and
[Jean-Paul Fitoussi](#)

T. Katerinakis, Drexel University

- *Traditionally, economic theory has by and large been a theory of markets or, more precisely, about market prices. However, ...*
 - *markets do not function properly unless suitable contracts can be formulated and enforced. Hence, we need to understand the institutions that support markets.*
 - *considerable economic activity takes place outside of markets – within households, firms, associations, agencies, and other organizations. Hence, we need theories to explain why these entities exist and how they work.*

But some individuals have created institutions, committed themselves to follow rules, and monitored their own conformance to their agreements, as well as their conformance to the rules in common pool of resources situations.

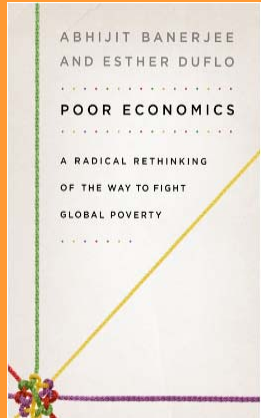
Elinor Ostrom (1994), NP in Economics (2009)



Microfinance & development for whom and with what scope and impact... (to poverty and to islands?)



Esther Duflo



- The **American Economic Association** presented MIT's [Esther Duflo](#) the [John Bates Clark medal](#), awarded to the nation's most promising economist under the age of 40.
- "Esther Duflo has distinguished herself through definitive contributions to the field of Development Economics, through her research, mentoring of young scholars, and role in helping to direct the Abdul Latif Jameel Poverty Action Lab at MIT, she has played a major role in setting a new agenda for the field of Development Economics, one that focuses on microeconomic issues and relies heavily on large-scale field experiments."

- Poverty Is Not Only Lack of Income

But also:

- – Poor health : 9 million children every year die under the age of 5, mainly of preventable disease
- – Poor education : 50% of children enrolled in school in India cannot read a simple paragraph
- – Poor quality of life: hours collecting water instead of playing, working, learning.
- – Difficulty to realize your ambition: Get a loan for a business, be insured for the risk of your farm.

http://www.pooreconomics.com/sites/default/files/14.73_Intro_Lecture1.pdf

<http://www.povertyactionlab.org/duflo>

The 2011 TIME 100

Meet the most influential people in the world. They are artists and activists, reformers, researchers, heads of state and captains of industry. Their ideas spark dialogue and do sometimes even revolution. Welcome to this year's TIME 100

Story All Best and Worst Lists

Esther Duflo

Economist

By RANA FOROCHAR Thursday, Apr. 21, 2011

Like 68,283 people like this.

Over 1 billion people live on less than \$1.25 a day. Amazingly, very little is known about how they make economic choices and what might help ease their lives.

Economist Esther Duflo, 38, is changing that. As founder of the MIT Poverty Action Lab, she has broken out of the ivory tower to do something economists rarely do: gather real data to see what really works in

alleviating poverty. One of her biggest findings is that microfinance, the poverty-reduction solution du jour, isn't all it's



Amartya Sen: Development as Freedom (**Development as Freedom**, Amartya Sen. Oxford, Oxford University Press, 1999)

What about digital illiteracy and physical isolation in the islands?

What is the culture of doing business in local economies of islands?

Organizational Variety Improves Capitalism while making it Creative via Social Enterprise

“Institutional and organizational variety is increasingly characterizing advanced economic systems...the increasing relevance of non-profit organizations, and especially of social enterprises, requires scientists to reflect on a new comprehensive economic approach for explaining this organizational variety.

The main limitations of the orthodox and institutional theories and comes to assert the need for creating and testing a new theoretical framework, which considers the way in which diverse enterprises pursue their goals, the diverse motivations driving actors and organizations, and the different learning patterns and routines within organizations.”

Borzaga et al (2010) at European Research Institute on Cooperative and Social Enterprise (EURICSE) <http://www.euricse.eu/node/345> retrieved on June 2010



- Eco-nomy → as micro-economics
- Capitalism has improved the lives of billions of people — something that's easy to forget at a time of great economic uncertainty.
- But it has left out billions more.

Making Capitalism More Creative, July 31, 2008
<http://www.time.com/time/business/article/0,8599,1828069,00.html>



IMF: “Global Challenges, Global Solutions”

April 4, at GWU, Washington DC



Former Managing Director Dominique Strauss-Kahn

While trade globalization is associated with lower inequality, financial globalization—the big story of recent years—increased it.

- **multilateralism**
- **social inclusion**
- **approach to macroeconomic policy**

- The challenge we face today is not new. Back in 1933, John Maynard Keynes—one of the founding fathers of the IMF—wrote the following: “*The decadent international but individualistic capitalism in the hands of which we found ourselves after the war is not a success. It is not intelligent. It is not beautiful. It is not just. It is not virtuous. And it doesn't deliver the goods. In short we dislike it, and we are beginning to despise it. But when we wonder what to put in its place, we are extremely perplexed.*”

So, we need to calibrate economic globalization with social economy in order to re-energize local economies especially in the islands

Yunus- Ostrom: not economization but social ...cooperation

"for their efforts to create economic and social development from below"



Photo: N.A. Mamun



Grameen Bank

- “... and **doing good to people and the world.** Each type of motivation will lead to a separate kind of business. ... Social business will be a new kind of business introduced in the market place with the objective of making a difference in the world. **Investors in the social business could get back their investment, but will not take any dividend from the company.** Profit would be ploughed back into the company to expand its outreach and improve the quality of its product or service. A social business will be a non-loss, non-dividend company.”
(Muhammad Yunus, Nobel, 2006)

- [AS] Would you say broadly though **that self-organization should be used and trusted more than it is now?** That society should move towards trying to implement self-organizing structures?

- [EO] Yes, **but not with a formula.** So there are many, many efforts now to decentralize and they create a rigid formula and give people rules from on top and say, 'Now it's yours.' And that isn't worked very well either.

(Elinor Ostrom, Nobel, 2009)

"for her analysis of economic governance, especially the commons"

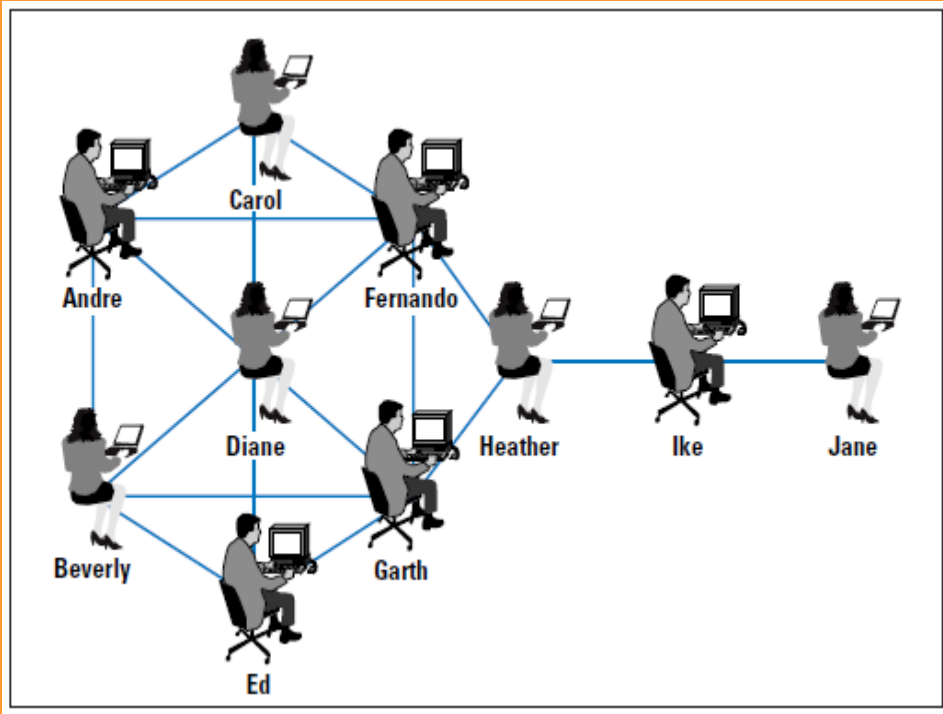


Photo: U. Montan

How to make a Network (...in islands)*?

Natural tendencies

- 1. Birds of a feather flock together.*
- 2. Those close by, form a tie.*



- *Communities are built on connections. Better connections usually provide better opportunities.*
- *But, what are better connections, and how do they lead to more effective and productive communities?*
- *How do we build connected communities that create, and take advantage of, opportunities in their region or marketplace?*
- *How does success emerge from the complex interactions within communities?*

*Cases from Valdis Krebs at Building Smart Communities through Network Weaving (2006) orgnet.com, The pioneering Network Analysis cases

Mood is Instrumental and Contagious in Markets

- People set new prices by evaluating what *others* want.
- As a result, they are influenced by past prices.
- This can cause prices to skyrocket (creating bubbles) or to plunge (creating crashes).
- These “paths” can affect the way the cost of a good changes.
- Cost depends on supply and demand. Supply comes from the Central banks and where does “demand” come from? Social networks, in part.

- In an a conventional efficient market, people decide

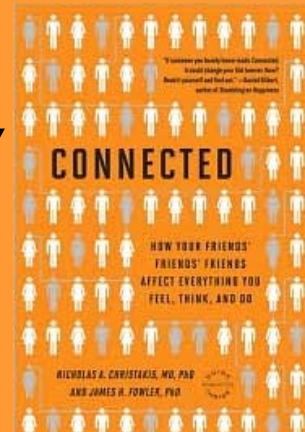
concurrently and independently

- But in social networks, people decide

sequentially and

interdependently

Tasha Bock, James H. Fowler,
Nicholas A. Christakis (2009)

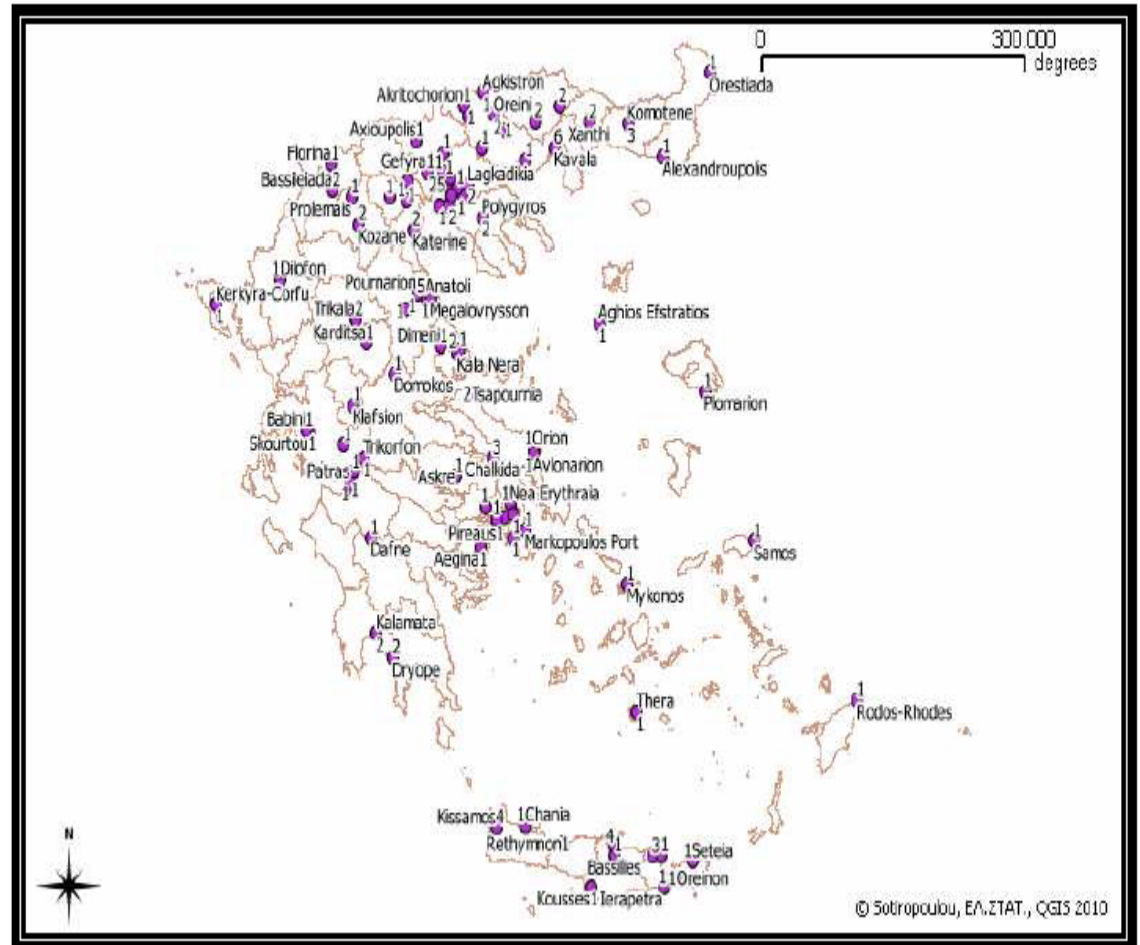


Exchange Networks & Parallel Currencies are applied in island economies

Parallel currencies: any currency (virtual, digital, physical note issued by the currency users etc) used by people in their transactions, without this being official in any country.,.

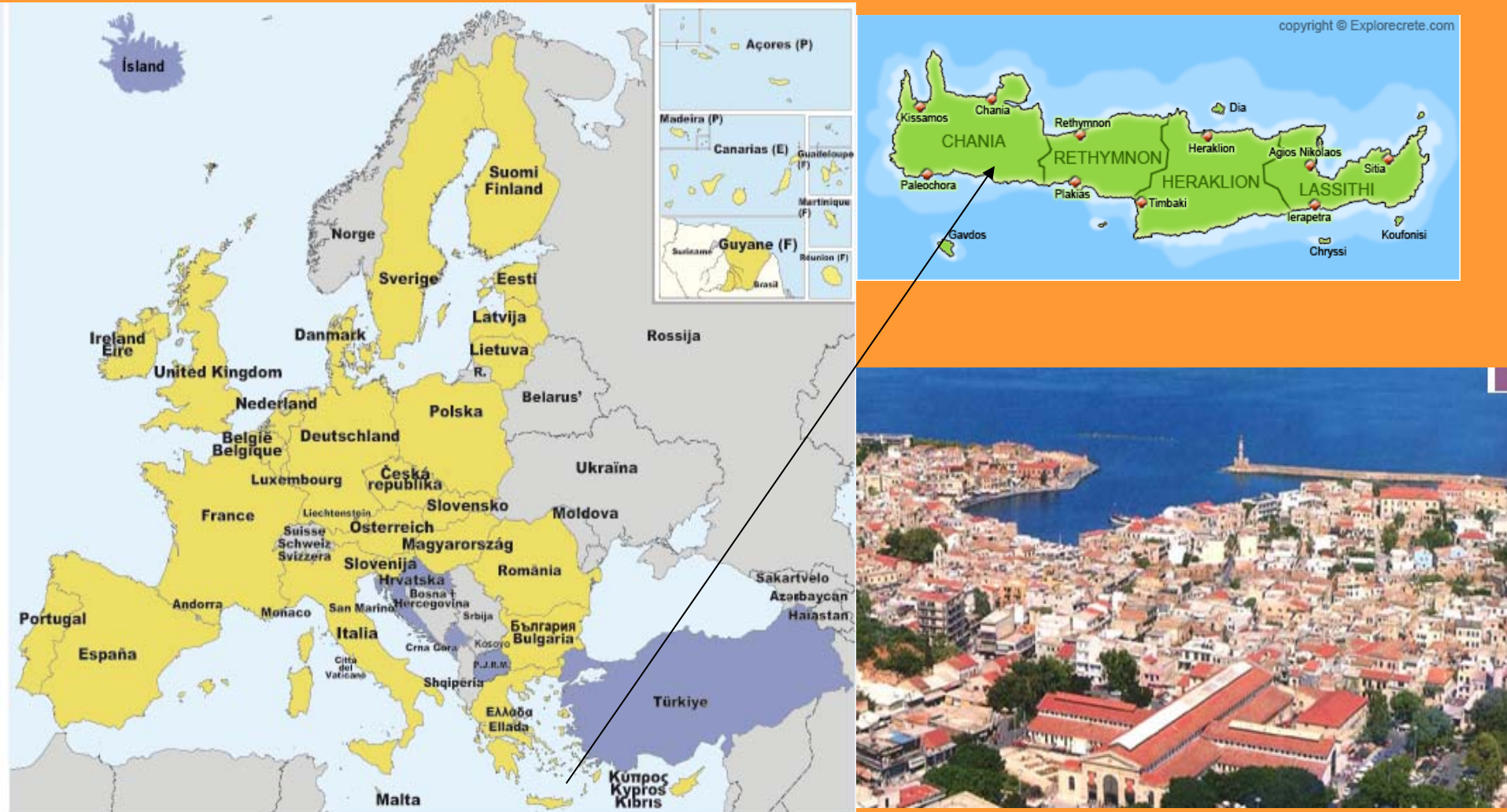
Exchange networks: structures which facilitate non-monetary exchange(of general nature or specialized in one sector of activity) for their members, without assuming any network or any other “form” of structure

Map 6: Membership of “From hand to hand” network (general exchange network):



Sotiropoulou & Stathakis, 2011
Department of Economics,
University of Crete

Greece in EU, Crete in Greece, Chania in Crete



Nissology a Paradigm in Economy

- Mobilities encompass the large scale movements of people, objects capital and information, as well as the local processes of daily transportation, movement and travel...(Hannam, Shelelr & Urry, 2006)
- New immobilities..., multiple and intersecting mobilities produce a more networked pattern of economic and social life (Busher, 2006; Morley, 2002)
- Islands are terrains, geographical containers of social processes (Brenner, 2004; Tsing, 2002), where relevant scales are defined dynamically

Island **eco-nomies** (nissology)

- A “do-it-yourself” society common place (Southerton et al, 2001) but in a collective self ideal
- cultural island brands emphasizing modernity *and* old-fashionedness.
- place branding is centralized in processes take local identity into account (Grydehoj, 2008)

Infusing Ethos in Networks in Crete: Kalokagathia meets philotimo?

- **The Greek value system since antiquity offers insights** on *atomistic behavior, private ownership of property and its protection, the division of labor, free foreign trade, exchange value, money and interest, and policy issues* using the ideas of Hesiod, Democritus, Plato, Xenophon, Aristotle and others (Doukas, 2007; Petrochilos, 2002).
- Originally, kalokagathia uses human physique (*kalos*) in pair with virtue, justice, and wisdom (all in *agathos*) that emphasizes the moral responsibility found in Homer's texts. **The pragmatic content of the concept suits to a community organized on the basis of scattered individual households to defend against enemies (of the time) in a society with a “shame culture”.**



Displaying a unique Greek value & film poster from a 1968 black and white Greek movie entitled "Ο ΦΙΛΟΤΙΜΟΣ και ο φίλος", which means "The Greek to Philotimos"

From Homer to co-ops



VIP-theatre Company, Athens 2011

Philotimo of Greeks documented in Homer's Iliad

Achilles obeys, but announces that he will no longer fight for the Greeks, and returns. Overcome by grief, from the death of Patroklos went back.

Both Achilles' departure from battle and his return to it are prompted by matters of the heart, but also of **honor, respect, generosity and sacrifice**. In the first instance, the dishonor of losing Briseis prevents him from continuing to fight in the common effort of the Greeks; in the second instance, honor and pride demands that he leads again the battle (for his friend and the Greeks).

One of the most famous scenes in Greek literature occurs in book Book One of the Iliad. Agamemnon, commander of the Greeks, is forced to give up Chryseis, because she is the daughter of a priest of Apollo. The only way to lift the plague is to give her up, which Agamemnon, a man of duty who sacrificed his youngest daughter to make the expedition against Troy possible, duly does.

Greek Air Force Oath: To conduct my life, at large, as a faithful and "philotimos" soldier



Ethics of Philotimo in Greek collective self

- In Greek culture “philotimo” is a central value (Kostoulas, 2008; Skyftou, 2005; Hoban et al, 2004; Koutsantoni, 2004; Triandis, 2000; Mavreas et al, 1989; Kourvetaris, 1971; Vassiliou et al, 1966), a non translatable and unique conscious “**arete**” of honor and pride (with a rational capacity of *logos*), with the basis of empathy for others, as expressed through acts of generosity and sacrifice (building *pathos*).
- Philotimo may boost people to do more than what is expected. Hence, philotimo is a life principle for Greeks; it is interpreted as **love for honor, honor “to show” to the others and honor “to receive” from the others**, a characteristic of intense in small communities of the Greek periphery.
- It is a case of an ideal occurrence where participants generally accept a norm based in the foundation of that normative society, as defined by Habermas (1990, pp.182-183).

Philotimo as an Instrumental virtue ...

- Furthermore, the three central concepts of virtue ethics ***virtue, practical wisdom and eudaimonia*** are comprehensible, objective, and empirically truthful (Held, 1980; p.331) in various manifestations of philotimo.
- It is a virtue that matches **with credibility**, with the tendency to cooperate and the ritual of keeping your word (face and commitments) **without reserving it in a contract**; it is a way of life with *ethos*, consistent with the teleological approach of Aristotle.
- Philotimo has its anthropological roots in the “**poetics of manhood**” (Herzfeld, 1991; p. 8) that are easily observable in micro-communities of the Greek periphery, like Crete, and challenged by various categories of non European foreigners residing and working in contemporary Greek society (Petronoti, 2003).
- **Philotimo** cultivates a reflective fabric of “pay-it-forward” ties.
- **Virtue ethics** is recognized as a special track in the **European Business Ethics Network**.

Philotimo in Cretan folk life

Mantinades are folk rhyming couplets very popular in the Greek island of Crete. E.g.:

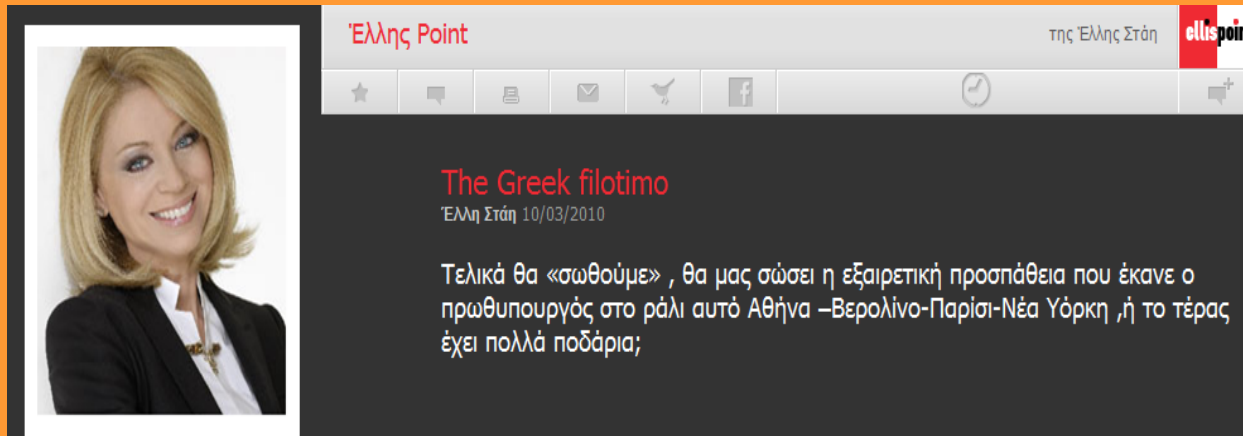
- *Wherever a shepherd is that is where to find manhood, generosity, philotimo, sentimentality, and captainship (hegemonic status).*
- *A man of philotimo deserves respect and nothing humiliates him but death.*
- *Cretan philotimo and the art of hospitality Are virtues that people take value of.*

- *A man of philotimo deserves respect and nothing humiliates him but death.*
- *After “apologize” was invented, philotimo was lost.*

This cultural perspective includes (Jones, 2007):

- learning values; i.e. dominant beliefs and attitudes,
- following rituals; i.e. collective activities,
- modeling against role models, and
- understanding symbols.

How “Current” Philotimo is...



<http://www.ellispoint.gr/> at Mar 10, 2010

“...the Prime Minister in international forum left us with a gratifying flavor of...**the Greek philotimo...**”

Philotimo of Greek people, Mar 7, 2010





Issue 649 • Saturday, Mar 20, 2010

By Christopher Tripoulas of St. John's University

A time honored tradition, philotimo represents a unique characteristic of the Greek mindset. Many of the ills plaguing Greece and the Hellenic Di-aspóra today could arguably be attributed to a present day deficit of that all-important philotimo.

...

While destitute in material goods, Psorokostaina was rich in philotimo ...

Philotimo: ... the Most Valuable Commodity in Greece

- It is almost as if there is an incompatibility between prosperity and philotimo. Most of the honorable accomplishments made by Greeks seem to be achieved during periods of dire economic hardship.
- Greece has known poverty all its life. If anything, the current financial crisis may purge some of the hubris and nouveaux riche decadence, and help the people remember that economic hardship is sometimes a spring-board for spiritual profit.
- It's not more loans or bailouts that we Greeks need, it's rediscovering our philotimo.

President Obama in The White House on “Greekness” of philotimo Mar 9, 2010

It's the sense of nobility and morality
written in the pages of those timeless Greek



And philotimo is a sense of dignity and respect,
as well. It's the determination that has

in time, we'll be reminded of the spirit
that has defined Greece and its people for

- **Philotimo: It's a sense of right and wrong, and a duty to do what's right.**
- **And philotimo is a sense of dignity and respect as well. It's the determination that has driven generations of Greek Americans, like those here tonight, to struggle and sacrifice for the same things that all Americans want: to pursue our dreams, to realize our God-given potential and to give our children an even better life.**

Retrieved from : <http://www.whitehouse.gov/photos-and-video/video/honoring-greek-independence-day>,
<http://www.youtube.com/watch?v=110yp6axfkQ> (Mar 2010)

“Connected: *the surprising power of social networks*”: People who had heard that friends were going to the banks joined were more likely to join

in the frenzy.

Power in Numbers

Social ties, rather than money, were used as *collateral* and could be used to *guarantee a loan*.



Yunus founded the Grameen Bank which now fosters social networks which

- optimize trust
- connect groups through weaker ties
- help find creative solutions through connections

Photo by Inkyhack, Flickr



Designed by Tasha Bock, James H. Fowler, Nicholas A. Christakis (2009)

T. Katerinakis, Drexel University

Bank Runs

Withdrawers knew their actions were unreasonable.
Why did so many people show up and stand in line for hours if they thought their money really was safe?

- Social Networks played a large role.
- People who had heard that friends were going were more likely to join in the frenzy.
- These bank runs are examples of hyperdyadic spread.



Millions of pounds were withdrawn causing a financial crisis that effected not only Northern Rock Bank but the entire banking and investing community.

Bank Runs

Northern Rock Bank

- In September of 2007, Northern Rock bank closed its doors for one day and asked the Bank of England to cover its deposits.
- The brief scare started a chain reaction.
- Long lines formed outside many branches as people attempted to withdraw their money.



Connectedness by the “book”



The Human Superorganism

The Strength of Weak Ties

Cooperation is key.

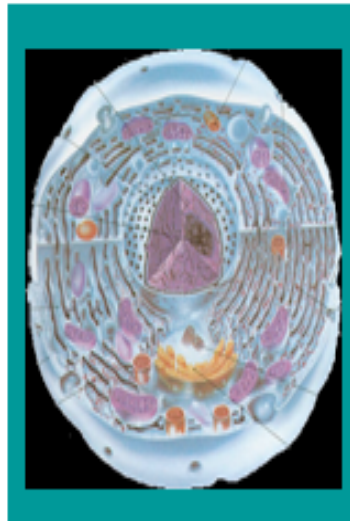
Networks of cooperation can lead to self-sustaining “organisms,” whether it be **cells in a human body** or **human bodies in a neighborhood!**

Strong ties affect people more deeply.
Weak ties often link more people.



Photo by Johnrainer, Flickr

“**Bridge**” members have many weak ties to members outside their group.

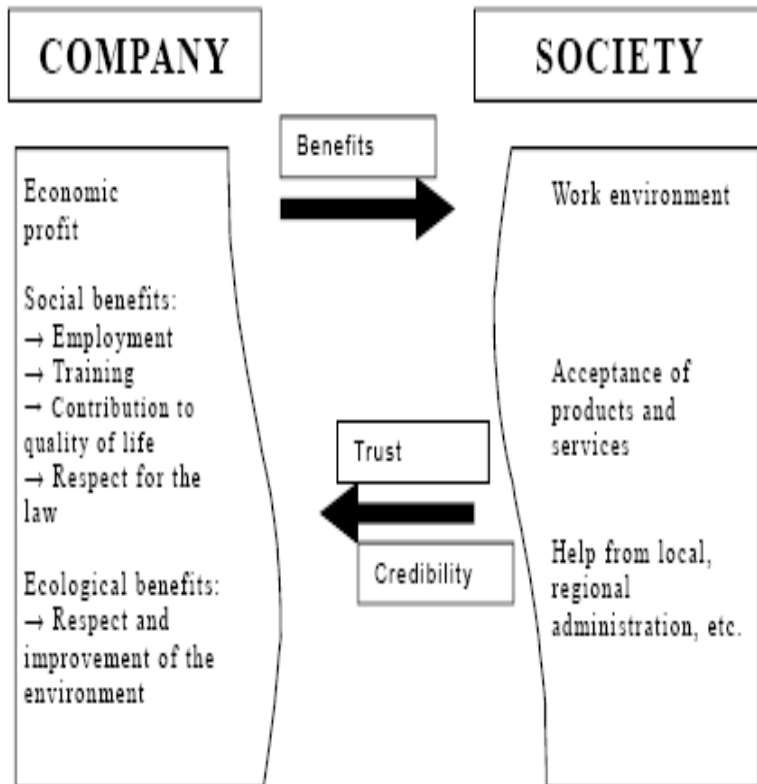


Photos by adriju and gaminray and Editor, Flickr

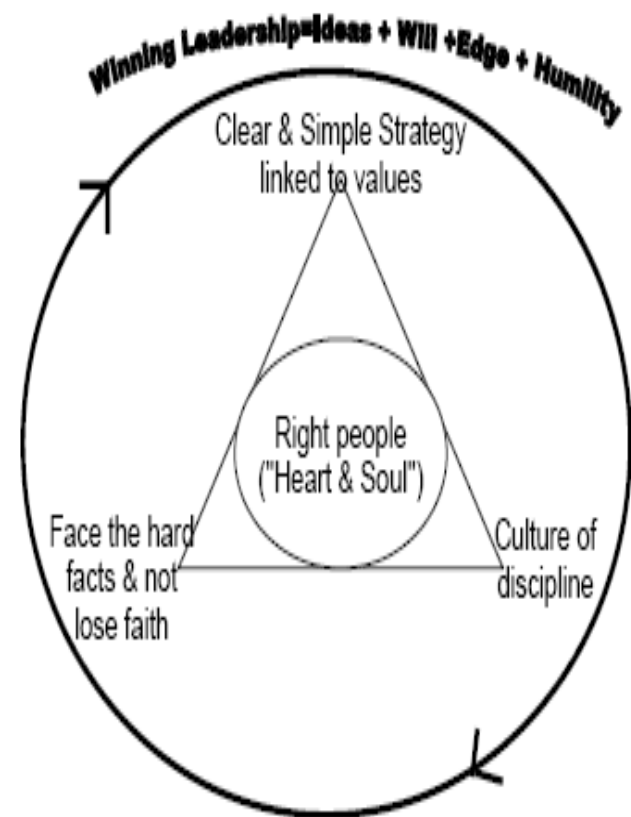
Selected from Tasha Bock, James H. Fowler, Nicholas A. Christakis (2009)

Companies in Society

A Company's Moral Contract (García Marzá, D., 2004).



The system of "Champion Companies"



Cross-cultural differences (Hofstede meets Herzfeld)

Cultural dimensions of Hofstede (2005) and Hall (1997) in management practices and business environments:

- **Power Distance (PD):** describes the extent to which unequal distribution of power and wealth is tolerated. This can be determined by the level of hierarchy in workplaces and distance between social strata.
- **Masculinity (MF):** refers to the degree to which stereotypical masculine traits like authority, assertiveness, performance and success are preferred to female characteristics like personal relationships, quality of life, service and welfare. In the first case autocratic authority is promoted *whereas, in the second case, people spend more time on relationships and personal ties.*
- **Uncertainty Avoidance (UA):** measures the extent to which people are threatened by a lack of structure or by uncertain events; how people will deal with the future, whether they have inherent control, or whether events are of fatal realization. Hofstede found Greece to have the lowest UA score. Therefore, people in Greece will be unwilling to make decisions and they will require very structured work routines.
- **Individual and Collective orientation (IC):** determines whether people prefer to work alone or in groups. It indicates the degree of social and community integration.

These dimensions may reflect the mindset of *philotimo* in the Greek managerial practice.

Trust as a bond of collective self

- Trust is described (Salem, 2009; p. 73) as reflex, as a **fixed expectation of culture**, sometimes as being learned and situational.
- Trust is also considered as a resource of - social capital, power, and social support; an “***interaction variable leading to a probability to engage [the] (an)other***”. This type of engagement is in the hardcore of business relationships, especially in the banking sector.
- In cooperative banking, trust is the intangible connection that guarantees concrete membership relationships.

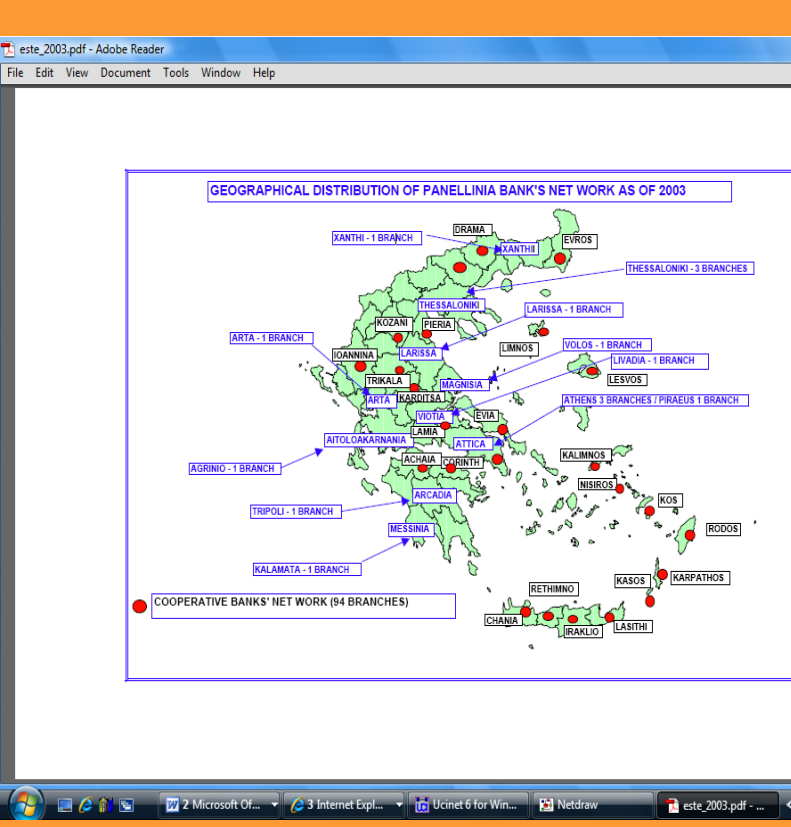
Cooperative and Social Economy and International Cooperative Principles

- The traditional Greek value of *philotimo* is the origin of security and status that are very important for Greeks in business, as well as the need for self-esteem (Bourantas & Papadakis, 1996). These cultural traits explain to an extent the “small, family-owned firm” phenomenon in Greece.
- In such a format business ventures somehow deal more with *agape* and altruistic behavior, accountability, professionalism, symmetry in action and impact, and put in act the heart of survival as a “*collective entity with a common destiny*” to rediscovering community (Muel, 2004). The same notion seems to be the cultural foundation recognized with a Nobel Prize for the institution of Grameen Bank with 7m borrowers (Yunus, 2006).

Principles of cooperatives (ICA)

- Voluntary and open membership
- Democratic control by members
- Member economic participation
- Autonomy and independence
- Education, training and information
- Cooperation among cooperatives
- Concern for the community

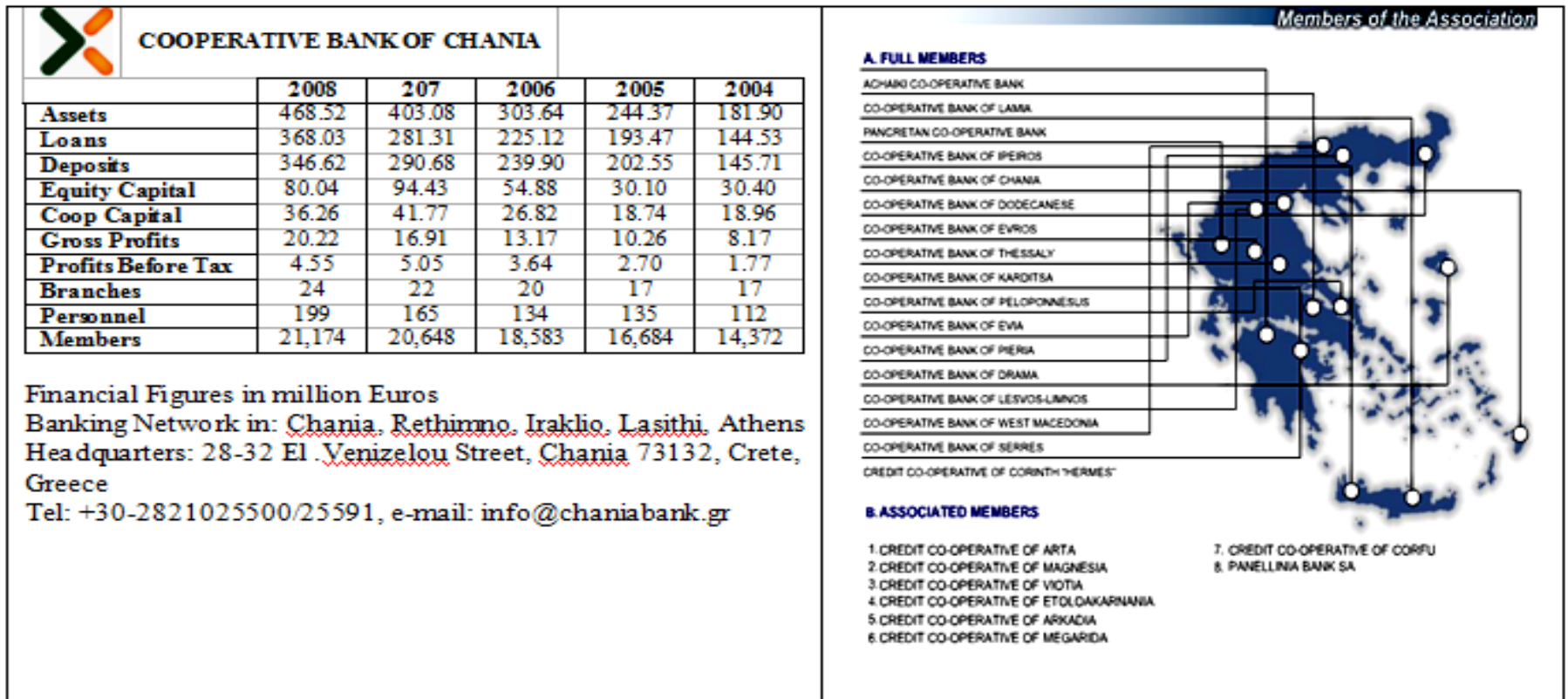
Cooperatives: “A strong link with local people” in a sustainable way (Alexopoulos, 2006)



In ethical terms, cooperative banks challenge philotimo of local communities and promote it as a value incentive.

Homophily is cultivated creating social capital (Lin, 1999), as similarity and institutional familiarity with the notions of “being in cooperation” and synergy.

Mapping of Cooperatives in Greece



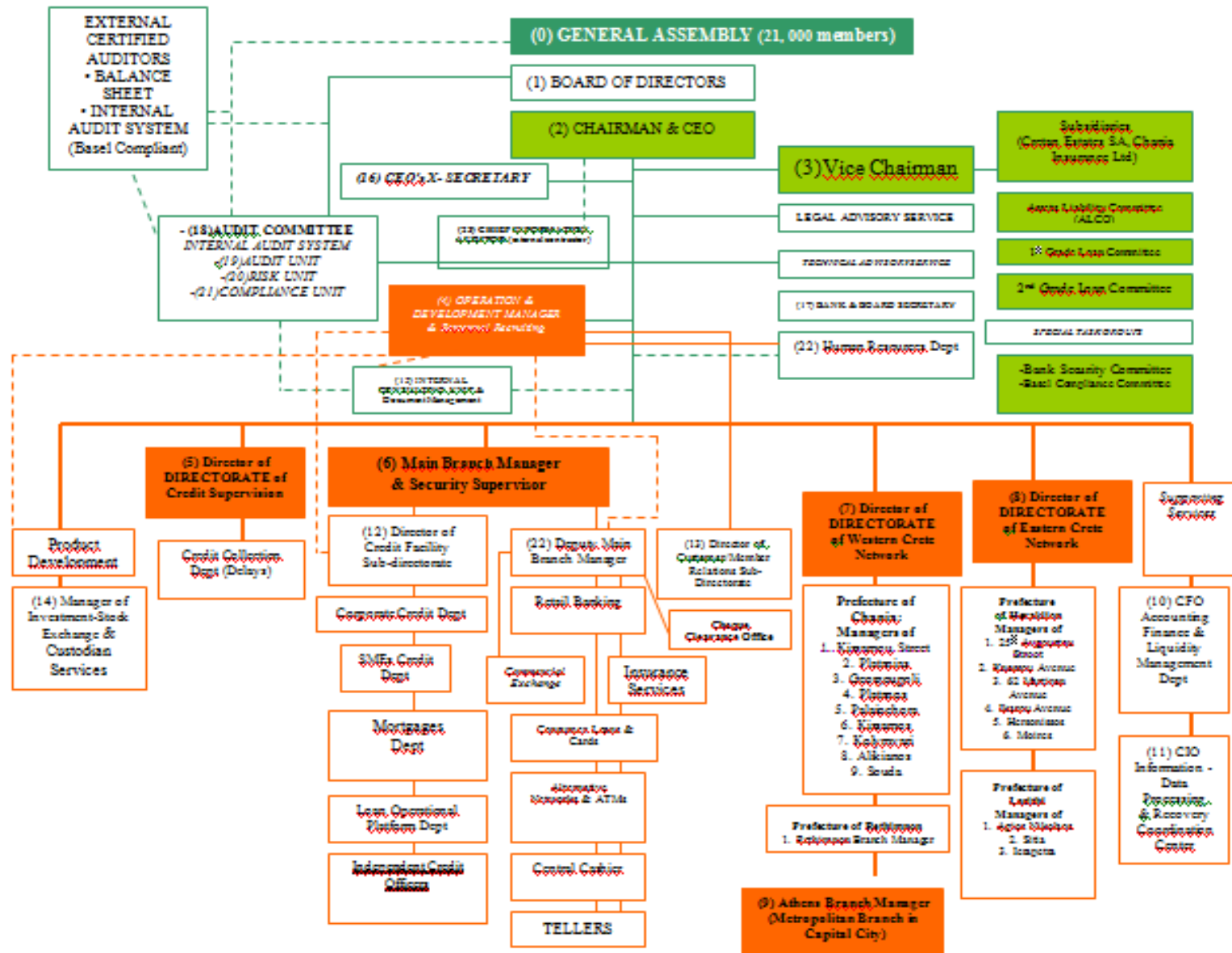
Note on 2009 facts & figures:

Assets 577mEuros, Share price 172 Euros, Networth 76mEuros, Loans 408 mEuros, Deposits 482 mEuros

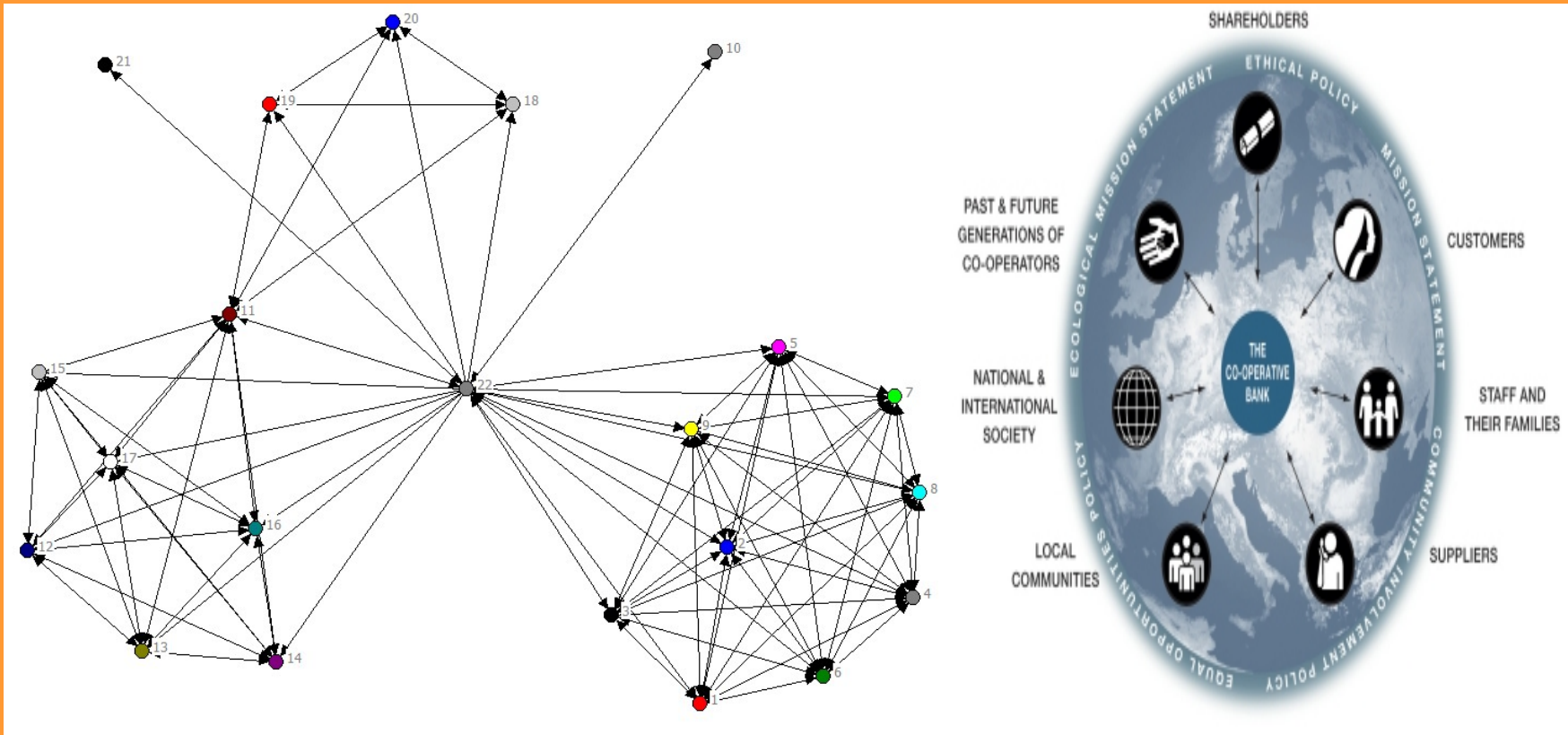
Cooperative Bank of Chania



CBC's Organization Chart is evolving



Social Network Analysis using UCINET



Intra-bank network of Cooperative Bank of Chania (2007) & the Inclusive Partnership Approach (Thomas, 1997)

UCINET software by Hanneman & Riddle (2003) is one of the standard tools used by “The International Network of Social Network Analysis”.

CBC operates...as social business

- The CEO of CBC underlined that *“in 16 years cooperative identity made the difference based on self-assistance, equity, solidarity and communal responsibility; with no deviation from our principles CBC evolved in competition by utilizing its size with flexibility. It was not a highway but a footpath coupled with humans as our capital.”*
- The crystallization of economic thought with an ethical value system is implemented in the concept of kalokagathia. **Applying this concept in developing interpersonal relationships based on mutual respect of oral commitments, trust, pride and honor the virtue of philotimo is emerging** (Ioannou, 2009).

Three are the primary attributes of social entrepreneurship that boost stability and growth for CBC:

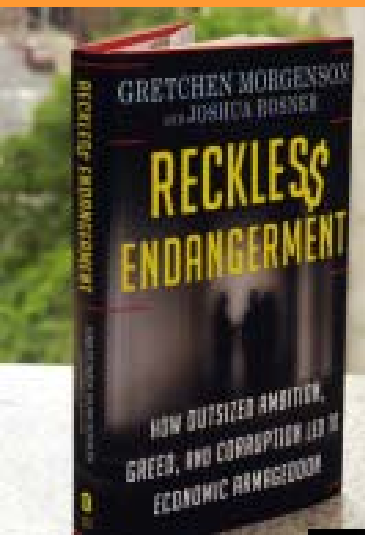
- (1) deep knowledge of local environment, people, and their relations
- (2) hands-on engagement with the economic and social life for employees and customers
- (3) referral trust and solidarity, crucial for self-employed individuals and small-medium size enterprises living in Crete. At a community level as living in affinitive local societies, members of CBC transform their cultural values to ethical – originally meaning *daily-expected* – traits when they decide to register, pay the ticket-share and start doing business.

How reckless greed contributed to financial crisis

- But in the process, Morgenson says, *the company fudged accounting rules, generated big salaries and bonuses for its executives, used lobby and campaign contributions to bully regulators, and encouraged the risky financial practices that led to the crisis.*


- If mortgage originators like [NovaStar](#) or [Countrywide Financial](#) were the equivalent of drug pushers hanging around a schoolyard and the [ratings agencies](#) were the narcotics cops looking the other way, brokerage firms providing capital to the anything-goes lenders were the overseers of the cartel.

Gretchen Morgenson and Joshua Rosne, 2011
A popularized analysis



Facets of Economic Crisis: Contrasting Cases

The Global Financial Crisis 4 of 15 ◀ BACK NEXT ▶

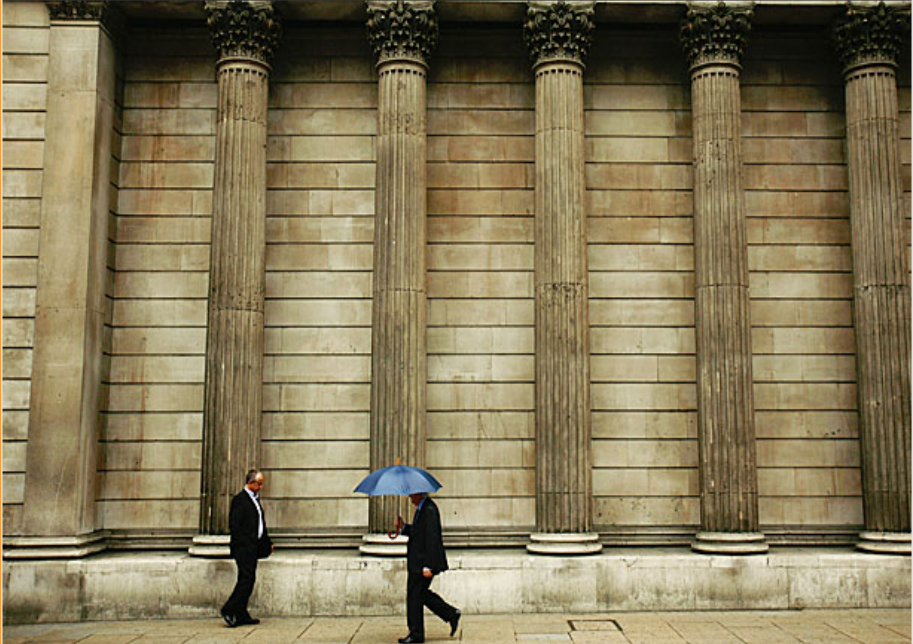


JUSTIN LANE / EPA / CORBIS

◀ BACK NEXT ▶

Back to Work
People walk along Wall Street past the New York Stock Exchange at the start of the trading day.

The Global Financial Crisis 14 of 15 ◀ BACK NEXT ▶



DANIEL BEREHULAK / GETTY

◀ BACK NEXT ▶

Stormy Weather
Londoners make their way past the Bank of England under gray skies on Tuesday.

Payday Lending in the USA: bizarre banking or an “anti-paradigm”?



<http://www.npr.org/templates/story.php?storyId=127220540&ft=1>
6

A Growing Business

Payday lending has grown rapidly in the past decade or so. Between 2000 and 2004 alone, the number of payday lending stores in the U.S. more than doubled, to more than 20,000. There are now more payday lending stores than there are Starbucks outlets ([Robert DeYoung](#), [Ronnie J. Phillips](#), [Payday Loan Pricing](#), 2009)

A story in May 28, 2010

- In the town of Logan, Utah, in a strip mall next to an audiology clinic and TV shop, there's a little storefront. Michael Berry works as a payday lender, and every day people come in and borrow money from him.
- "Our loan is \$1.50 per hundred per day, so after 5 days, \$7.50," Berry says. "It would be \$107.50 is what they owe back."
- That's an annual interest rate of 547 percent. A year after taking out the loan, you'd owe more than five times what you originally borrowed.
- This fact is not hidden from Berry's customers. It's printed in block letters on a big chart facing them right next to where Berry sits: 547% Annual Rate.

Humanistic Management Network in Switzerland



- Network forms of organization represent a distinctive trait of social movements (Diani, 1992).
- The shape of networks may be regarded as the outcome of network building-strategies, which explain the nature of movement at a given point in time (Diani, 1995)
- *Social Entrepreneurship is a Blueprint for Humane Organizations*. The creation of so far unrealized social value is often realized by systemic change (Pirson, 2008).

Lehmann, in Pirson, Michael, Von Kimakowitz, Ernst, Dierksmeier, Claus and Spitzeck, Reflections on Humanistic Management in Practice – HUMANISTIC MANAGEMENT IN PRACTICE, Palgrave Macmillan, 2011)

Inquiries:

- As citizens, we engage our communities in discourse about the benefits of a human-centered economy.
- What is the role of business in society and how can humanism help us to better assess this role?
 - How can we continue to reap the benefits of free market economies whilst becoming more effective in creating shared benefits and prosperity?
 - *The power of individuals in cross-stakeholder networks generates a humanistic face of globalization by resisting and maintaining local identities*



HUDSON CITY
Bank on Better Values™

LETTER FROM THE CEO



Success in the unglamorous Paramus, N.J., USA

Hudson City's 123 branches are concentrated in nine of the nation's 50 wealthiest counties. The average Hudson City branch has about \$138 million in deposits, almost twice the average for FDIC-insured banks. In HC bank mortgages you make down payments of at least 20 percent. (The typical mortgage in its portfolio has a 39 percent down payment.)

- Hudson City, a 140-year-old bank that went public on 1999, banks the old-fashioned way: **it takes deposits and makes mortgages to people who buy homes in which they plan to live. And then it hangs on to them. No subprime, no securitization.** Hudson City's bankers are steady daters in a wham-bam-thank-you-ma'am era.
- Hermance says. "We're going to live with those loans." (Aug 2, 2008)
- So how is it that Hermance kept his head when all the geniuses with higher pay and fancier pedigrees lost theirs? The tristate metro area's only smart banker shrugs. **We all approach life's fundamental choices from a unique angle.** "It's like my grandfather used to say," he says, "if everybody thought the same way, they would have married your grandmother."

Daniel Gross at
["http://www.newsweek.com/related.aspx?subject=Ronald+Hermance&tid=relatedcl"](http://www.newsweek.com/related.aspx?subject=Ronald+Hermance&tid=relatedcl)

Dear Friends of Hudson City:

We have always emphasized conservative principles, old-fashioned values, and common sense. That's why Forbes continues to rank Hudson City among the Best-Managed Banks in America—(2007, 2008, and 2009).

Ronald E. Hermance, Jr.
 Chairman, President & CEO
<https://www.hcsbonline.com/>

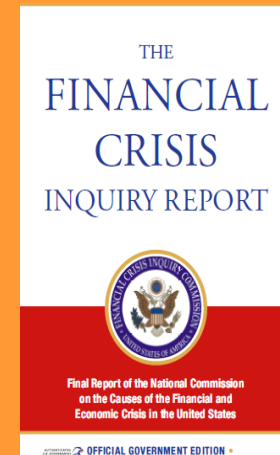
How to respond: 7 Elements of Reform in the US

- Too Big to Fail
- Derivatives
- Consumer Protection
- Credit Ratings
- Securitization
- Hedge Funds Practices
- Corporate Governance Implementation

Current bill in the US Senate, April 23, 2010 :
What's Missing Preventing Another Wall Street Melt Down

The downside:

A popular refrain in the crisis aftermath has been that the system didn't almost collapse because firms were too big, **but because they were too interconnected.**



The Same issues as Assumptions

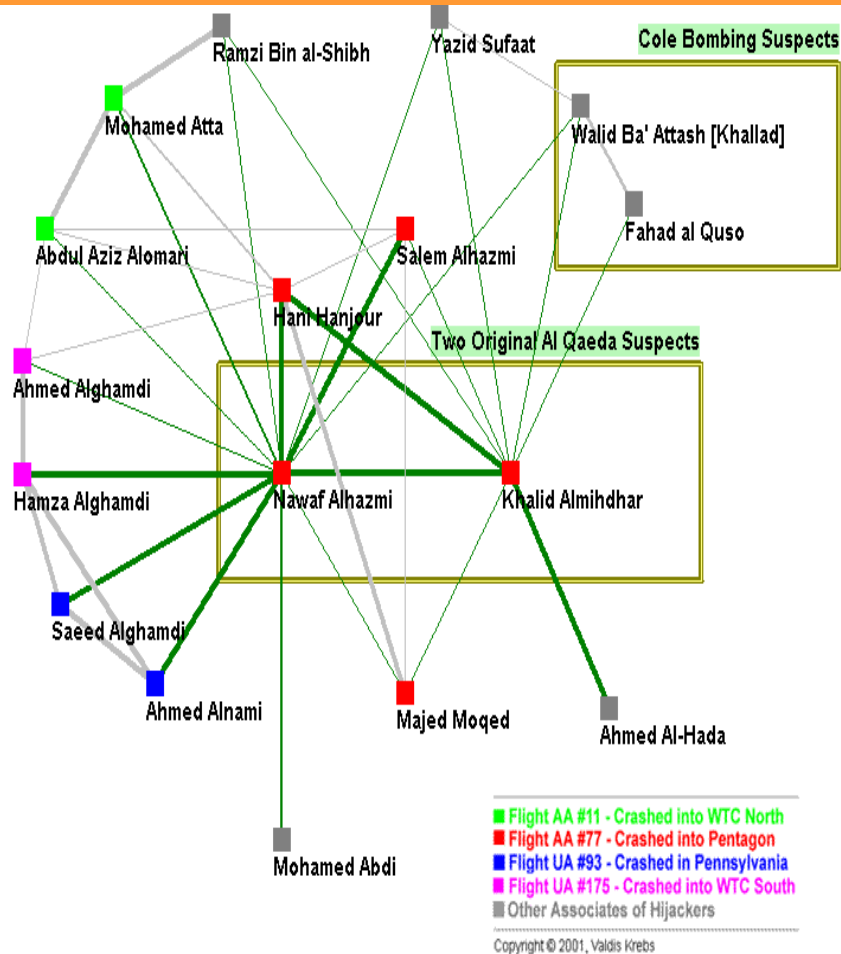
2010 EU wide stress test by CEBS & ECB

- “In conducting the exercise, for the major cross-border banking groups, the macro-economic scenarios were translated using internal models, internal risks parameters and granular portfolio data, whereas for the less complex institutions more simplified approaches were used in general (e.g. use of the reference parameters provided by the ECB for instance).
- *Securitisation positions have been tested under the assumption of rigorous and uniform reductions in the credit quality of the positions as of end 2009, which already incorporated very material reductions in external credit ratings, as compared to their original level. For the adverse scenario, the assumed reduction in credit quality of the positions is equivalent to four external rating notches over two years. **The impact of such reduction has been recorded as an increase in risk-weighted assets (the denominator of the solvency ratio) and as a direct reduction of regulatory capital (the numerator of the solvency ratio).***
- Equity exposures in available for sale portfolios have been subject to a cumulative haircut over two years of 19% in the benchmark scenario, and 36% in the adverse scenario. Other exposures in available for sale portfolios (i.e. bonds and loans) have been tested along with other credit exposures in the banking book.” at <http://www.cebs.org/topnav/Copyright---Disclaimer.aspx>

Concluding Remarks

- The Greek (Commercial) Banking System is generally considered as social responsible in the past decade (Arapoglou in HBA report, 2008; p. 51). But cooperative banking is the conscience in the Greek periphery, as...
- The network fabric is responsible for holding local communities tight together, when “value”, “success”, and “philotimo” are among criteria of action for individuals.
- If “*happiness is a network phenomenon*” (Fowler & Christakis, 2008) then member participation-satisfaction has a contagious effect in the networked cooperative.
- Thus, a complete social network approach has to determine what *members* think of their co-operative, how do *they* value its performance, in which ways *they* understand that it meets *their* needs, and how *central* a cooperative bank is in *their* strategic approach for self-sufficiency and sustainability in local communities.
- Is interconnection a solution of complementarity or a restriction of the individual?

E.g. 1. A case of a covert network “9/11”



Networks to Map

Relationship/Network	Data Sources
1. Trust	Prior contacts in family, neighborhood, school, military, club or organization. Public and court records. Data may only be available in suspect's native country.
2. Task	Logs and records of phone calls, electronic mail, chat rooms, instant messages, Web site visits. Travel records. Human intelligence: observation of meetings and attendance at common events.
3. Money & Resources	Bank account and money transfer records. Pattern and location of credit card use. Prior court records. Human intelligence: observation of visits to alternate banking resources such as Hawala.
4. Strategy & Goals	Web sites. Videos and encrypted disks delivered by courier. Travel records. Human intelligence: observation of meetings and attendance at common events.

- who they call / email
- who visits with them locally and in other cities
- where their money comes from

E.g. 2. UN: Cooperatives and Solidarity



“I hope from the bottom of my heart that the people will, **hand in hand, treat each other with compassion and overcome these difficult times,**” Akihito said in the video message

MILLENNIUM DEVELOPMENT GOALS	
	End Poverty and Hunger
	Universal Education
	Gender Equality
	Child Health
	Maternal Health
	Combat HIV/AIDS
	Environmental Sustainability
	Global Partnership

“The cooperative movement is one of the largest organised segments of civil society, and plays a crucial role across a wide spectrum of human aspiration and need. Cooperatives provide vital health, housing and banking services; they promote education and gender equality; they protect the environment and workers’ rights. Through these and a range of other activities, they help people in more than a hundred countries better their lives and those in their communities.”

—United Nations Secretary-General Kofi Annan



“Cooperatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility.”
UN Secretary-General Ban Ki-moon

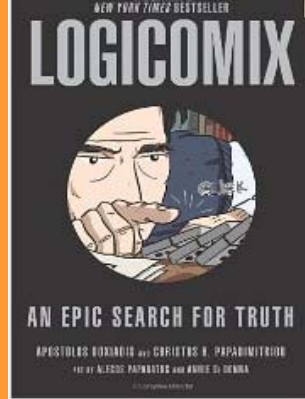
Your thoughts...?

May 17, 2010:
They do the banking for the whole world but they don't do the banking with their neighbors (Yunus, NY speech)

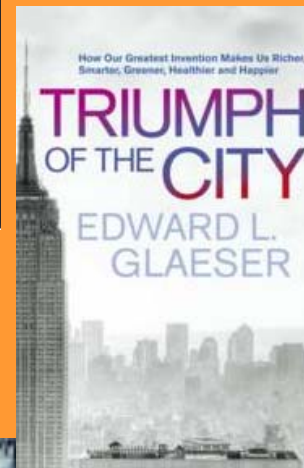
Local economy as market community, is resilient to the crisis?

A reciprocal agiotage maybe a response to liquidity shortage

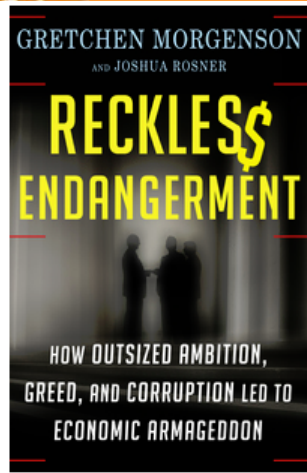
CBC: Humans are our capital (2008, 2009)



Degree of mutual-support in human networks in Greece is of an ultimate level
Doxiadis, 2009



Spitzbeck, Pirson, Amann, Khan and Von Kimakowitz, Palgrave Macmillan 2009



People are innately inclined to synchronize and copy many aspects of behavior they observe in others (Christakis & Fowler, 2009).



Trends and Challenges for Co-Operatives and Social Enterprises in Developed and Transition Countries
Borgzaga, C. and Spear, R., eds. (2004)

Reconciling Market and Society with Banking Differently: a Social Network Analysis of *Ethos* in Greek Cooperative Banking in Crete

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Questions and
Comments are
welcomed...

