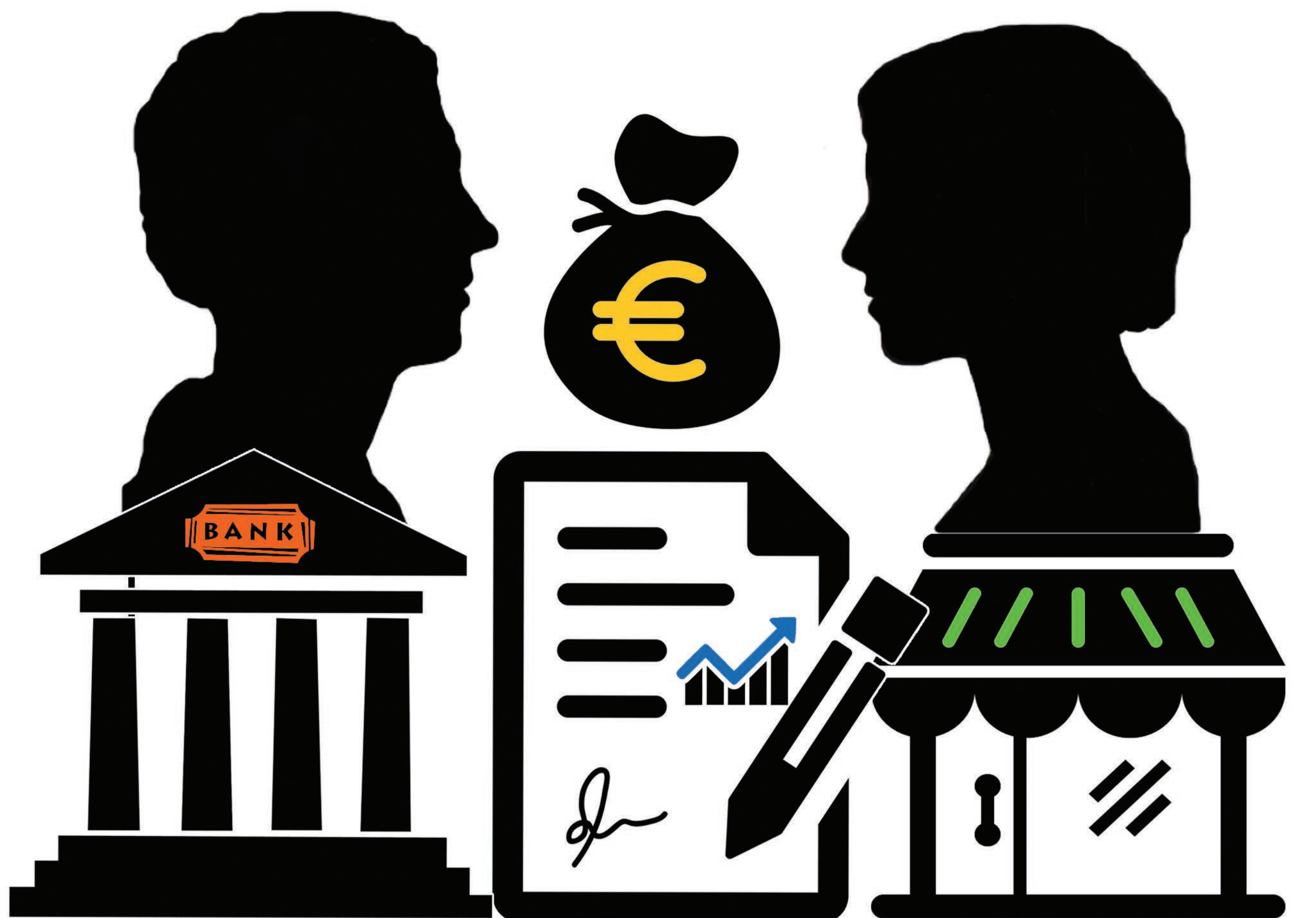
Underwater:

An ethnographic account of the relationship between bank and business owner in the aftermath of interest rate derivative sales



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Underwater:

An ethnographic account of the relationship between bank and business owner in the aftermath of interest rate derivative sales

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The destruction of a stranger's life without the slightest doubt that you are doing your duty and being a moral person – this is the new form of evil, the invisible shape of wickedness in liquid modernity, going along with a state that lends or surrenders itself completely to these evils, a state that fears only incompetence and falling behind its competitors but not doubting for a moment that people are nothing but statistical units. Statistics are more important than real human life; and a country's size and its economic and political power are much more important than the value of one of its inhabitants, even if he speaks on behalf of humanity. Nothing personal, it's just business: this is the new Satan of liquid modernity.

Bauman and Donskis (2013, 10)

Foreword

Although I conducted my research in the country I grew up in, the previous months felt like a journey to me. During this time, feelings of uncertainty and bewilderment interchanged with excitement and intrigue. Diving into the world of finance has enriched my understanding of what it means to be a human, a human embedded within a grand spectacle of cultural understandings. As many anthropologists before me, I hope to have shed light on the human aspects of finance, business and (market)relations.

While researching the interest rate derivative situation I bumped into quite a few closed doors. However, my research would be incomplete without the people who took the time to engage with me. For that I would like to thank Hester Bais, Ad Broere, Marcel van Dijk, Patrick van Gerwen, Lex Hoogduin, Floris Kleemans, Theo Kocken, Pieter Lakeman, Sabijn Timmers, Linda Verhoeven, Robert Vesseur, Frans de Weert and Frank Wijn. Also, Eric Smit who was so helpful to get me in touch with some key sources of information.

I am grateful for the openness of my research participants. With your stories, experiences and ideas, you brought this field of research to life. This helped me tremendously. Furthermore, Falco Valkenburg and Arlene Valkenburg, thank you for helping me write my thesis, when I was in doubt your advice helped me. Last but not least, I want to thank my supervisor Walter Faaij for his encouragements and feedback.

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Chapter 1: Introduction

“Switch bank accounts”, this note has been on my ‘to do list’ for some time now. With news sources regularly reporting misconducts in the world of finance I do not wish to be complacent in any destructive behaviour. A stereotypical image of the greedy banker has become prominent in our society. The greedy banker who will forsake everything to make a quick buck and get ahead in the race for market dominance. It is a negative image bearing no solidarity or moral consciousness. Me being concerned with this state of the world, I wonder what my position in this grander scheme of banking is. Currently, I have my bank account at one of the three big Dutch banks, ABN Amro. The bank had to be rescued with government money after the financial crisis 2007/2008. Millions went to the ABN Amro to save it from a collapse and millions in public money went to save the financial institution adding 30 billion to the public debt (CBS 2015). As a bank customer, I feel somewhat estranged from the workings of my bank and the banking sector in general. Some of the stereotypical ‘banker’ image is beginning to rub off on me. However, I have always made a conscious effort not to pre-emptively judge people and situations. Recognising this, I became curious and eventually fascinated with the workings of finance, with its own particular rules, rituals, habits and ways of attributing meaning to life. Inspired by books, investigative news channels, documentaries and films featuring Wall Street I wonder what the state of banking and its impact on society is, here in The Netherlands.

During the financial crisis of 2007/2008, I was in my teens, a time where I became conscious about the workings of economics and its impact on society. The financial crisis of 2007/2008 that brought my bank, ABN Amro, and many other financial institutions into problems is an example of why it is important to understand the world of finance. This brought me to research the financial system, banks, insurance companies and credit rating agencies. Leading up to the financial crisis these parties all participated in the trade of financial products like collateralized debt obligations (CDOs) and credit default swaps (CDSs). Complicated names that added to my view of the banking system as alien and exotic. I am amazed when I think of the profound effect on our daily lives the financial sector has, yet after years of sociological and anthropological study it has remained unknown to me. Anthropological knowledge on the relatively new and modern workings of finance at this time appears to be

limited. This research tries to build upon fundamental research done by anthropologist Karen Ho.

Setting out into the field and making first contact was made possible by making use of my personal network of people who work in the financial sector. Reaching out to them proved fruitful, as I could explore the field of banking through their eyes and find out which case I could turn my anthropological gaze to. During these conversations, I became aware of current events and realised that by focussing on the bank as an organisation and its internal practices I would miss crucial insight about its interaction with society. Through my first conversations a topical subject concerning the banks influence on the social realities of Dutch business owners.

Between 2006 and 2009 big banks, such as Rabobank, ABN AMRO, ING sold financial products called 'interest rate derivatives' or 'interest rate swaps' to Dutch business owners. It concerns a particular group of business owners who are officially categorized as Small and Medium sized Entrepreneurs (SMEs) (Kenniscentrum Rentederivaten 2014, 14). The exact definition of SME is enacted by the European Commission. The definition is lengthy as it needs to suffice to judicial standards. To provide the reader a sense of to whom I refer to as business owner I will provide a general description. Broadly speaking SME entail economic enterprises that employ fewer than 250 persons and that do not exceed an annual turnover of 50 million euro. Furthermore, a business owner categorized as a SME has a balance sheet that does not exceed 43 million euros. When talking about businesses and business owners in this thesis I refer to this category of SME's.

Business owners who bought interest rate derivatives from their banks saw the value turn negative when interest rates plummeted after the financial crisis 2007/2008. As a result, around 19,000 business owners saw considerable increases in debts (AFM 2016a, 8). Most business owners found themselves in financial trouble and a considerable number of business owners had to file for bankruptcy as a result. The problems involve huge sums of money, with the underlying the monetary value of interest rate derivatives counting up to an estimated 26 billion euros in April 2014, with a negative value of 2.7 billion (AFM 2014). It is a unique situation where a very specialized financial product is one of the biggest contributors to businesses failing to meet their financial obligations. Particularly, since the product was supposed to protect them from financial difficulties.

In the last few years, stories of the personal dramas of business owners became public. One of the first stories became public through a documentary made in 2013 when a Dutch public channel featured stories of the impact that the declining value on interest rate derivatives

had on business owners. Business owners raging with indignation told the public how bankers misinformed business owners during the selling process of interest rate derivatives (KRO Brandpunt 2013). Other stories emerged from the investigative journalist platform 'Follow The Money' (FTM) and the Financieele Dagblad (FD), where people who experienced the situation first-hand came forward to share their stories of financial misery resulting from these proposedly deceptive selling practices (FTM 2014).

As a result of the sales of interest rate derivatives to business owners, the characteristics of the relationship between banks and business owner changed. Business owners were mad, and bankers would either refuse to talk to the public or state that they acted out of their best intend with the knowledge they had at the time of the sales. This begs the question, what happened exactly between banker and business owner? In this thesis, I research this relationship through anthropological and ethnographic research methods. Trying to get an understanding of the relationship between bank and business owner I am led by the following main question: '*What does the relationship between bankers and business owners in the interest derivative cases, tell us about the societal impact of our financial constructs?'*

1.1 Researching the relational

Throughout my work, I was inspired by the anthropologic works of Karen Ho, Joris Luyendijk and Gillian Tett (Ho 2009; Luyendijk 2015; Tett 2009). In a financial world, where numbers and figures proliferate, they used their anthropological lens to show that the underlying driving force of this world, lies within people, their social structures, knowledge, actions, beliefs, motivations and morals. This is why I follow in the footsteps of these anthropologists who used anthropological methods that have the potential to shed light on the hidden constructs that define our social realities.

Following my gut feeling to pursue the important, topical and current events that insiders from the financial system pointed me towards a relational approach. It is key to note that by focussing on a relationship between two actors I break with the more traditional focus that anthropological research has, a place and group-based focus. Instead, I take a relational focus. Focusing on the relationship between bank and business owner is originally a choice I made. A paper by anthropologist Matthew Desmond provides theoretical support for this methodological approach. Desmond argues for the case of relational ethnography as an alternative to place- and group-based approaches. As a relational approach focusses on "fields rather than places, boundaries rather than bounded groups, processes rather than processed people, and cultural conflict rather than group culture." (Desmond 2014, 574). This way I tend to account for the

interactive nature of human life consisting of dialectic action and reaction. Relational ethnography has the potential to shed light on the ongoing processes that shape and inform dependent and conflict relationships (Gustavson and Cytrynbaum 2003, 268). Therefore, with my shift towards a relational approach, I aim to gain insight into the relational nature of the social reality of bank and business owner. This allows me to place the banking culture, as described by previous anthropologists such as Karen Ho, in perspective with the parties they engage with in day to day life. To understand an organisation it should not be treated as a bounded entity, a subject on its own (Wright 2004: 15). Or as Wolf puts it, "… human populations construct their cultures in interaction with one another, and not in isolation" (Wolf 1982, 15). Such a perspective tears down the notion, on which place-bounded ethnography is based, that culture is a bounded system that exists upon itself. Social relations, which consist of interaction between individuals, are thus key to understanding culture.

When reviewing recent developments in the anthropology of money and finance Hart and Ortiz recognize that anthropologists still struggle to connect situated analyses to global processes and world history (Hart and Ortiz 2014). By focussing on the interaction between the bank employee and customer I provide a description of where the global financial and economic movements meet and link with local manifestations of social interaction. What anthropologists call studying the 'vertical slice', an analysis of the links between various spheres in society, is integral to my relational ethnographic research (Stryker and González 2014).

Anthropology has a tradition of focusing their anthropological lens on the weak, the powerless and the marginalized. There has been a negligence of anthropologists to study towards the middle and upper parts of the power spectrum (Nader 1972). Yet, to truly understand social life we need to understand the people and institutions who have the means to influence their social reality. To create a complete view of people, their relations and their culture, it is imperative to study both the powerful and the powerless, the rich and the poor and anything in between (Stryker and González 2014). By researching interaction between bank and business owner I am studying the upper segment of society. Those parties may turn out to be powerful. However, I dare say that they themselves are in turn likely to be subject to powerful social forces. Focusing on the relation between two parties located in the upper strata of society I engage in "studying up, down and sideways" as González and Stryker propose. Therefore, I work towards stories that convey true social realities that go beyond popular preconceptions about the field.

Taking the first steps during my fieldwork phase, I experienced first-hand how difficult it can be to gain entrance to the field when focussing on the corporate environment. The first challenge was to understand the social landscape ruled by finance and to gauge where to direct my efforts to gain access to key actors I needed for a thorough ethnographic account. Once I met the first few informants they directed me to other key actors in the field.

As Nader and Neyland state, this challenge of gaining entrance is no coincidence. Researching the corporate environment can involve sensitive circumstances and people's livelihoods can depend on sensitive information that the researcher wants to hear (Nader 1972; Neyland 2007). In many cases, the issues business owners and bankers faced remain unresolved, with attempts to find solutions still in process. To both banker and business owner, this is a time of legal battles and ongoing procedures, contesting who is right, in which case and under which circumstances. It is an uncertain and somewhat precarious position for both parties to be in. After all, for both parties there is a potentially massive financial hit they must take if the situation develops against their favour. This may have worked against me, as a researcher, to gain full access to my field of research. However, once I made my first contacts many parties were willing to share their stories. Often these people would tell me that it is important that the stories of what happened become public. For the people I spoke to, moral considerations overcame the fear of losing the legal contestation, for that I am grateful.

Due to the sensitivity of my field of research where literally millions of euros are on the line, I experienced that very little of the developments surrounding the interest rate derivative dilemma escape into the public. Most developments happen behind closed (revolving) doors. Being held back by confidentiality people involved, rarely spill information into the public sphere. Furthermore, the corporate code of confidentiality inhibits the banker from talking publicly and the sensitivity of the position of the business owner inhibits them. Secondly, throughout my research process, the sensitivity of my research required continuous ethical reflection on what I was doing, writing and saying. Some of the stories I described, involved people who are potentially in vulnerable positions. As a researcher, it is my responsibility to be pragmatic in my approach and make sure I do not harm people through my research. This forced me to acknowledge my own position in the field, my relation to it and adopt a reflexive attitude, being aware of how I affect my research environment and vice versa. My movements in the field relied on a core principle that I deemed necessary to adhere to, 'do no harm'. During my engagement in the field, this meant that I was open about my intentions when engaging with an informant. Furthermore, at the start of a conversation I would explicitly discuss which

information is sensitive. After writing my thesis I relayed the quotes I used from my conversations to my informants giving them the opportunity to reflect on and consent to the use of them.

1.2 Research population

My descriptions, findings and interpretations are drawn from fieldwork in the period between January and June of 2017. During this phase of engaging with the field I applied ethnographic research methods to the field of finance and the relationship between bank and business owner. Researching a relation instead of a single group entity brought extra challenges with it. As ethnographic research methodology includes a range of methods for studying social life, I was able to employ various methodologies to suit my relational approach. Therefore, I observed, participated, interacted with actors from various backgrounds to gain a holistic view on the relationship between bank and business owner and on how their interaction plays out on a day to day basis. This brought with it the extra challenge that instead of negotiating access to the field one time and getting almost unrestricted access afterwards, I had to renegotiate access over and over again due to the various backgrounds and locations of my informants.

To learn how banks and business owners experience their interactions and relationship towards another I interviewed a range of actors from the field. Going into my interviews I prepared in-depth semi-structured interviews. However, during my interviews with my informants coming from various backgrounds, I found myself favouring a more open interview structure. More like a conversation between researcher and informant. This approach, I found, yielded an atmosphere of openness and willingness to talk and conversations that went beyond the more personal meanings and values. When confronted with my predefined interview questions people would often provide a standard answer. To address the personal experiences, ideas and conceptions, open-interview techniques gave more information about the tacit aspects of the situation, the aspects that are not communicated in an explicit way, but the hidden meanings that are part of the invisible ties between people. These are what Braun and Kramer call “the white spaces between people” (Braun and Kramer 2015: 36).

To build my ethnographic account of the interest derivative situation, I have engaged with a broad range of people: business owners, financial experts, former bankers, lawyers, regulators and representative of interest groups. The following people participated in my research:

- Theo Kocken, specialist in risk management and interest rate derivatives, CEO of consultancy firm Cardano and member of the Derivatives Committee tasked with creating a collective framework for re-evaluating interest derivative cases.
- Lex Hoogduin, former director of the Governing Board of De Nederlandsche Bank (DNB), chairman of the board of LCH group and professor Monetary Economy and Financial Institutions at the University of Groningen.
- Linda Verhoeven owner of Van Bellen Surf and Snow.
- Marcel van Dijk owner of Oogenlust.
- Ad Broere, former account manager at (former) NMB Bank, writer, speaker and activist
- Hester Bais, former lawyer at ING, AFM and NYSE Euronext and now owner of BAIS legal specializing in legal advice on financial issues
- Frank Wijn, former account manager, manager and regional director at various banks, now financial advisor and public speaker
- Patrick van Gerwen, former asset manager at AEGON, treasurer at CenE Bankers and asset manager at ING, former consultant at Vallstein and now owner of Cadension providing specialist financial advice.
- Pieter Lakeman, founder and chairman of Stichting Onderzoek Bedrijfs Informatie (SOBI), financial advisor to business owners and well-known from his role in the collapse of DSB bank
- Sabijn Timmers, Chief Risk Officer at Triodos bank
- Floris Kleemans, former head of strategy at ABN AMRO and founder of the FOCAFET Foundation
- Frans de Weert, former Equity derivatives trader at Barclays and head of risk management supervision at DNB, now head of division at the AFM. Currently dealing with SME interest rate derivatives issues.

One of the first few interviews I conducted was with Theo Kocken, who is part of the derivative committee and currently tasked with finding a collective solution to the problems stemming from the sale of interest rate derivatives to business owners. This conversation provided me with a good overview of the situation, an explanation of interest rate derivatives and its relation to the banking sector.

Getting into contact with business owners who own interest rate derivatives was key to my research. It is them who provided the personal stories about their experiences when

interacting with their bank. These personal accounts were invaluable to my insights into the aftermath of the interest rate derivative sales.

My interviews with financial experts provided me with another important source of information. These people with specialist knowledge on the subject are referred to as ‘financial experts’ and assist and support business owners using their competency on the subject. They often have an advisory and mediating role. Most financial experts I met have a background in banking. From this they derive their expertise on the subject and have been particularly useful to my understanding of the subject as they have close contact with both small business owners and bankers. Through interviews with financial experts, I gained in-depth knowledge on business owners, banks and the interaction between the two over the past years.

Bankers who are working on the interest derivative cases at the time of my research proved difficult to approach. Just getting their contact details was a challenge. After I eventually got their contact details I either did not receive an answer back, or I got a message they deemed the case too “sensitive” at the time of my research. After a polite decline to my request, the banker added that he would be willing to talk to me after current ongoing issues are solved. Solving this would take at least months and with current delays, in what I would call the ‘reconciliation’ process it could take a year or years. Therefore, I had to approach another type of banker. To get insights into the workings of the banking sector I turned towards former bankers, who are not held back by their responsibilities towards their employer. Former bankers proved to be more than happy to engage in conversation. This way I could get information about banks, their way of operating, company culture and their views on their work.

Furthermore, an overview of the financial landscape and the situation surrounding interest rate derivatives was provided by regulators. Their insights were important for my general understanding of how actors relate to one another and the influence of regulators on the interest rate derivative situation.

To provide valuable first-hand observation and experiences where I could see the interaction between actors in the field for myself I did my best to extend my research methods to include participant observation. Through my contacts with financial experts, who support business owners in their legal procedures, I had the opportunity to attend a court case between a bank and a business owner. By temporarily being an insider in that courtroom I got valuable insight into how agents experience their interaction with each other. At the same time, I was an observer, somewhat detached from what happened, as it did not influence me directly, in a personal manner. Observation provided an amount of objectivity and made it possible to see

and note what was happening (O'reilly 2012, 18). Before, in-between and after the court case, I got the opportunity to be more actively involved in conversations between parties.

During my fieldwork I got another opportunity to engage in participant observation by being present during a conversation between a financial expert and the Nederlandse Vereniging van Banken (NVB), an organisation representing the interests of the Dutch banking sector. To facilitate open conversation between the two, we established boundaries to which I could use this conversation. We agreed that I could use the conversation only in a general sense, thus refraining from using direct quotes, which they feared could be taken out of context. The subject of that meeting was the way the interest rate derivative cases are handled by banks and regulators. Experiencing and taking part in such a conversation taught me about the way banks and their representatives reach out to critics, how conversations result from criticism and how these conversations take place. Additionally, it was a good opportunity to experience the atmosphere of the Zuidas, the financial district of Amsterdam, the place where many bank executives operate on a day-to-day basis.

1.3 The Dutch financial landscape

To understand the interest derivative cases where bank and business owner interact it is valuable to understand the circumstances that have shaped our current financial landscape, the context in which interest rate derivatives were sold to business owners. Therefore, I will provide a brief overlay of the historical and societal context of financialisation that shaped my fieldwork. After that, I will provide a brief recap of the developments surrounding the sale of interest rate derivatives to business owners and touch on the question 'What are interest rate derivatives?'.

The Dutch financial climate followed a global development kickstarted by proponents of free markets in the UK and the US. Under political leaders Margaret Thatcher and Ronald Reagan economic policies were adopted that favoured a free market ideology. Since the 1980's financial markets have seen deregulatory measures creating the regulatory room for financial institutions to grow (Krippner 2005, 181). With the collapse of the Berlin wall in 1989, the communist Soviet Union and its alternative economic system dissolved. The capitalist system became the dominant economic system, which meant the collapse of the bipolar world order of capitalism versus communism. To stimulate free trade boundaries between markets were lifted and the world became increasingly global and interconnected. Thus financial business shaped the world into, as anthropologists Hart and Ortiz argue, "…a one-world capitalism driven by finance"(Hart and Ortiz 2014, 2). A world where power is increasingly centred, within a 'core'

of tightly-knit financial institutions who control a large portion of the global financial landscape (Vitali, Glattfelder, and Battiston 2011).

Economies around the world transformed and saw a trend towards financialisation, the process where the basis of profit-making changes from trade and commodity production towards financial channels (Krippner 2005). Financial markets, financial motives, financial institutions and financial elites became increasingly important in the operation of the economy (Epstein 2002, 1; Carrier 2012, 177). This global trend also develops within the national borders of The Netherlands. De Nederlandsche Bank (DNB), the Dutch central bank, reports that the growth of the financial sector in The Netherlands is the result of regulatory measures and bank fusions, which are the result of competitive market forces (DNB 2014, 3). The growth of the financial sector has been critiqued due to its distance to the material economy. Economist Rens van Tilburg, together with the SOMO research centre, published a research rapport, stating that the Dutch financial sector is 'overweight' (Tilburg 2012). In The Netherlands, there are three big Dutch banks that have emerged as key players within the financial sector, ABN Amro, ING and Rabobank.

The prominence of the financial market in The Netherlands is illustrated by the extent to which the Dutch economy relies on these institutions. Eighty percent of the Dutch SMEs are funded through banks (Bijlsma, van Veldhuizen, and Voght 2015, 4). The reliance of Dutch business on bank finances in turn exemplifies that through processes of financialisation, money has "... permeated almost every sphere of social and cultural activity, …" (Christopherson, Martin, and Pollard 2013, 351). The goods and services that are provided by the business owners are the result of the banks' ability and willingness to finance the business. Therefore, our use of money, profoundly, shapes the way we organize society.

1.4 'Exotic' products for Dutch businesses

The current situation surrounding interest rate derivatives, involving banks and business owners is new. Before the 2000's interest rate derivatives are mainly and almost exclusively used by big companies, to secure them against certain risks. Banks saw an opportunity to sell these relatively complex products to business owners as a way to insure them against rising interest rates. Banks standardised the interest rate derivative to sell to SME's, where very few had sufficient knowledge of these products. Often the interest rate derivatives were packed with a loan and were sold as a combined product. Many business owners claim that they had little choice in buying the interest rate, as they would otherwise not be granted a loan. The exact number of businesses involved remain unclear, as banks are the only party who have the exact

accounts and have thus far not shared. Thus, they can only be estimated. It is thus estimated that there are around 19,000 cases where interest rate derivatives have been sold under conditions that were deceptive towards SME business owners (AFM 2016a, 8). These products were sold in the 2000s, up until well into the crisis. After the financial crisis of 2007/2008, interest rates, which are the underlying assets of the derivatives construction, declined. This led to a steep decline in value and eventually led to a negative value of the derivative product. The negative value of the interest rate meant additional monthly or three-monthly costs that business owners had to pay to the bank. Certain business owners could not bear the extra costs and encountered financial problems. Today, questions are raised to what extent the parties involved had sufficient knowledge of the situation, including on what interest rate derivatives actually are.

1.5 The interest rate derivative

The relationship between bank and business owner is underpinned by the sale of interest rate derivatives. Answering the question of what an interest rate derivative is can prove to be a difficult one, as it requires specialized in-depth knowledge to fully understand. Yet, I will try to provide the reader with my understanding after having spent time in the field.

In the public debate, 'complex' is a word that is often being associated with the financial product, called 'derivative'. I saw a short piece of film on YouTube made by activist and filmmaker Michael Moore. He wanted to understand what derivatives are. Bankers on Wall Street refused to explain it to him. Various financial experts had great difficulty explaining what the product is. "The derivative product is a secondary bet on the underlying product." is what an expert explained. This explains the term 'derivative', it is a financial product that derives its monetary value from an underlying product. What is this underlying product? It can be anything, commodities, mortgages, interest rates etc., this means that the product can be applied to just about anything.

With the interest rate derivative, this underlying asset is the latter, interest rates. Often the Euro Interbank Offered Rate (Euribor) or London Interbank Offered Rate (Libor) rates determined by European banks. Through a clever structure where client and bank pay each other interest rates, the variable interest rates can be crossed off and a constant interest rate, that the bank decides, remains. This agreement typically tied the business owner for 10 to 15 years to the derivative contract. On first sight an interesting feature for business owners, giving them, for a long-time span, certainty in their monthly payments. The interest rate derivative has a value, determined by the market. In case of the business owners, the value of the interest rate derivative

was positive when interest rates are above the constant rising. When the interest rates drop, as happened after the financial crisis of 2007/2008, the variable interest rates drops below the constant interest rate that is established for the derivative construction. This results in a negative value of the derivative owned by the business owner. When business owners want to foreclose their derivative agreement with their bank this negative value becomes problematic. When the business owners want to end their contract, they need to pay the full sum of the negatively valued interest rate derivative, often in the 100,000's euros. Additionally, the bank charges a fine for ending the contract early. When the negative value rises, the bank needs to hold enough money or credit in reserve to account for the negative value, this is charged to the business owner. This and the negative value of the derivative means that there is a higher risk that the business owner cannot meet his payments. To account for this insecurity the bank asks the business owner for additional securities. The bank often did this by raising premiums on the loans of the business owner. Therefore, the certainty a business owner experiences are false, as their monthly payments increase through this. Many business owners did not know that interest rate derivatives worked this way, that the workings of interest rate derivatives go beyond fixing interest rates.

1.6 Theoretical framework

To build up my argument, I look at how people appropriate meaning to experiences. More specifically, how bankers, business owners and financial experts form their understanding and ideas concerning each other and interest rate derivatives as a financial product. Therefore, I derive from anthropological theory regarding 'sensemaking'. This theoretical framework recognises that individuals within a culture can have diverse motives and intentions and are also able to exert different degrees of power. Through this approach, I aim to adhere to an approach that appropriately recognises the reciprocal relation between culture and individual.

I will provide a brief explanation of the Giddens' 'structuration theory' and Bourdieu's 'theory of power and practice'. Furthermore, Karen Ho's concept of 'liquid culture', which lends its theoretical framework from Gidden's and Bourdieu's theory, provides a theoretical basis to my research and will be discussed as well.

Sensemaking, agency and structure

To study how bankers and business owners make sense of their interactions I use the concept of sensemaking, a process where people turn circumstances into a situation they can comprehend, make explicit and voice through the use of words (Weick, Sutcliffe, and Obstfeld 2005, 1). Attaining this explicit image of an experience in the form of language, serves as a

"springboard into action" and thus functions as the basis on which human action is built. Human action has been subject to an extensive academic debate called the structure-agency debate. Émile Durkheim showed how society collective consciousness influences individual actions, such as suicide. Instead of taking the collective spirit of a group as the fundamental tenet of individual action, Max Weber approached the individual action as the central force of social action. This seeming dichotomy between individual action and action defined by a group of people is further discussed in Anthony Giddens 'Structuration theory'. Giddens states that social realities are created and reproduced through an interaction between structure and agency. "Agency refers not to the intentions people have in doing things but to their capability of doing those things in the first place." (Giddens 1984, 9). Through agency, the individual is the perpetrator of events, events where they could have chosen to act differently at any stage. Therefore, agency essentially involves the power of a person to act out of their individual will and thus to exert influence transformative processes in a social reality. Structure refers "… to the structuring properties allowing the 'binding' of time-space in social systems, the properties which make it possible for discernibly similar social practices to exist across varying spans of time and space and which lend them 'systemic' form." (Giddens 1984, 17). Structure is thus a patterned set of human action that is a result of individual action as well as determines individual action.

Using the concepts sensemaking, agency and structure and their mutual dependence, I aim to understand the meta states that influence business owners and bankers alike. I aim to understand how business owners and bankers make sense of their interaction and how they construct their social realities through this process of sensemaking. Moreover, agency and structure are beneficial to understand how social action is established through an interplay between behaviour determined by structure and individual action.

Culture and enculturation

To make sense of a circumstance people use a set of learned assumptions and beliefs originating from their cultural background. Culture is used in this process and can be seen as a mental map that plays a role in social behaviour. Kottak defines culture as follows: "Cultures are traditions and customs, transmitted through learning, that form and guide the beliefs and behaviour of the people exposed to them." (Kottak 2011, 5). Woven into Kottak's definition is culture as a learned concept. Anthropologists call this process of internalizing values and norms of a society, as 'enculturation' (Kottak 2011, 27). Hidden in the concept of enculturation and the idea of learned culture there is a process of a conscious and unconscious cultural internalization.

This concept of culture and enculturation is used to explain the position of a banker learning the customs of the bank he works in, a process that is both conscious and unconscious.

Banking on culture

As mentioned before there are certain barriers when researching the corporate environment. Banks are no exception as they handle sensitive information and a competitive market position. Fortunately, Karen Ho has enriched academia with ethnographic accounts of bank culture. Ho worked with and among Wall Street bankers during the years that led up to the financial crisis of 2007/2008. Her ethnographic work centred around banks which count as the biggest and most influential banks in the world. She remarked that banks regularly went through extensive reorganisations, where bankers are frequently fired. She decided to research this phenomenon. Ho's descriptions, findings and interpretations are written in her book 'Liquidated'. It is a book that introduces the culture of smartness, bankers of Wall Street find smartness incredibly important. Bankers at Wall Street often went to the best ivy league universities and claimed to hire only the best and brightest people. Furthermore, Ho recognised a culture of hard work. Working all the time is standard at the big Wall Street banks, fostering hyper-competitive attitudes where everyone is motived by making money.

Considering the firing of bank employees, Karen Ho coined the term 'Liquid culture'. She dispels the, often attributed, notion that banks work towards gaining as much control as possible. Instead, Ho argues, it is not control that a Wall Street bank strives for, it is a "deliberate crafting of liquidity" (Ho 2009, 187). By firing bank employees on the regular they create an environment of constant uncertainty, driving the need to make money and make money now. Deals do not have to make sense, as long as they make money with them. Ho paints a picture of a short-term oriented organisation, driven by the need to make money now, without planning for long-term viability. In their quest for profit, employees are essentially made liquid, their work is temporal, flexible, without anything tying them to certainty. This liquid culture within the banking organisation as impact on the objectives of the organisation. To the extent that bankers often do not realise that their day-to-day practices lead to a corporation governed by short-term stock prices and the volatility that is accompanied by these.

Insights from 'Liquidated' by Karen Ho show how the market shapes the inner workings of banks from Wall Street. With today's markets being global, the Dutch financial climate is influenced by the banking system elsewhere, with the biggest and most influential banks coming from the US. With regular reorganisations at Dutch banks show features of the 'liquid culture', Ho describes. This provides me with interesting ethnographic accounts to compare

Dutch banking with. Furthermore, I build on the notion that banks liquidise their assets to remain flexible in a competitive global market.

In-between business owner and bank

Recognising that money is a key element in the relationship between bank and business, I build upon the concept of liquid culture proposed by Ho and argue that financial operations perpetrated by banks benefit from fluid characteristics. To do this I examine money and its relation to people. This approach is inspired by Simmel's idea proposed in 'The Philosophy of Money' where he examines money and uses its embeddedness within social realities to understand people (Simmel 1978). Moreover, Appadurai writes that Simmel's 'Philosophy of Money' shows that with modern money being the supreme tool of calculation, commensuration, and universalization, it can have "…hitherto-unprecedented and corrosive effects on the bonds between members of society, by allowing impersonal exchange dominate social relations" (Appadurai 2015, 11). Therefore, I asked myself the question what does the use of money say about the relationship between business owner and bank? In turn, what does that say about our relation to money?

Further insight into the intertwined state of money and human interaction is gotten through the writing of David Graeber, particularly his book 'Debt' (Graeber 2014). Which dispels the notion that money came first, credit came after. Debt is therefore fundamentally tied to money.

Derivatives are a form of finance used on a broad scale and are the key financial product sold by banks to business owners. To understand derivatives, I turn to work by Arjun Appadurai. His book 'Banking on Words' makes the case that the financial crisis of 2007/2008 is ultimately been due to a failure in the way we use language (Appadurai 2015). To make his point he examines derivatives seeing them as a written contract about future prices or assets, very much like the interest rate derivatives sold to business owners. With derivatives essentially being a written promise, the structure of the derivative architecture allows a chain of promises to exist. Therefore, through analysing derivatives, Appadurai sees money and its derivative form the most abstract form of commodity value. Derivative values are not just any promise, as they can be fundamentally conflicting. A derivative can make a promise that other promises will be broken. Exemplifying the financial crisis of 2007/2008 of the potential destructiveness of this form of promise.

While examining the role of money I use Appadurai's arguments to establish that derivatives are indeed an abstract form of value, further deliberate on its effects on the

relationship between business owner and bank and derive implications to the broader social realities of our world.

1.7 Coming up

In the next chapters, I will provide a description of my ethnographic research on the relationship between bank and business owner. In the first chapter, I will describe the ethnographic accounts of business owner Linda Verhoeven, owner of a sports store and owner of an interest rate derivative. I highlight fragments of her story that kept reoccurring when talking to my informants. This first chapter provides insight into the experiences of the business owner following the aftermath of the declining value of interest rate derivatives.

The second chapter consists of the stories brought forward by (former) banker Ad Broere who shared his story and experiences working as an account manager at a bank. Through this second chapter, I explore the forces that drive the bank as organisation and its relation to the individual banker.

The third chapter dives deeper into the role of the idea that lies between bank and business owner, money. Over history, money exists in various forms who feature various modes of abstraction. This changes the way we perceive money as a tool and denominator of value. I argue that the form that money comes in is changed to serve the needs of people in the financial sector and in society in general.

Chapter 2: Exchange and social relations

2.1 The story of the business owner

"We were running a healthy business"[1], says business owner Mrs. Linda Verhoeven with a look of frustration on her face. Her look of indignation is the embodiment a quintessential point during my conversations with business owners and the financial experts who assist them in their relational conflicts with their bank. Like other business owners, Verhoeven is angry and frustrated. The company is running fine, they say. Yet, they are in deep debt and facing bankruptcy.

Verhoeven and her partner run an outdoor sports shop in Willemstad in the province Noord Brabant, The Netherlands. Originally, their shop was in the picturesque city centre of Willemstad, a quaint old city, its history tangible through the old fortifications that date back to the Eighty Years' War. Nowadays, the docks in Willemstad allow for pleasure cruises, sail boats and tourists to dock their boat and discover the old city. Business must have been going well, as business owner Verhoeven and her partner decided to expand their shop.

The morning is filled with an atmosphere of calmness and quiet. However, I feel slightly nervous going into the interview, as I experienced with every interview. The shop is still quiet as I walk in, so business owner Verhoeven was able to talk to me without having to neglect her customers. The shop is located right beside a dock, a new building. We sit down on a bench. My nerves settle, and I become more comfortable when I notice that Verhoeven does not need much encouragement to talk. Without inhibition, she tells me her story, about her and her partner's desire to expand their business, about interest rate derivatives, about accountants and bankers. When I asked her why she is so eager to tell me her story, filled with regret and pain, she answered like many of my respondents did: because people need to know, so things can change.

The original shop located in the city centre is financed through the business owner's personal money, no loans and financial capital by a bank was needed. When the desire to expand their business and to bring it to the next level came, business owner Verhoeven and her partner took a big step. It was the first time they would finance their enterprise using their bank credit. I decide to be so bold to ask Verhoeven the amount of money she loaned. Verhoeven was

[1] Intervieuw Verhoeven 02-06-17

hesitant in telling me the size of the loan, "it is a number followed by six zeros"[2] she said, "to give an idea". During the talks Verhoeven and her partner had with their bank account manager and their personal accountant, they were confronted with the option of getting an interest rate derivative. Like many business owners, Verhoeven says she did not fully know what they were buying at the time. She relied on the advice she got from the account manager of the bank and her accountant. Both were urging her to buy the interest rate derivative. In retrospect, Verhoeven says: "if I would have known I could go deeper in debt when I have an interest rate derivative, I would not have bought it"[3]. When buying the derivative Verhoeven and her partner leaned heavily on the knowledge and advice of their bank and accountant, who portrayed interest rate derivatives as an excellent product to insure against rising interest rate derivatives. Verhoeven herself was not aware of the workings of the derivative. The story turns from persuading a dream to a story of problems, heartache and pain.

2.2 Underwater

The interest rate did not rise, interest rates plummeted towards an all-time low. During the financial crisis of 2007/2008 central banks kept the economy afloat by lowering interest rates. Many financial institutions were afraid to lend each other money. Interest rates declined and have been, until today, 'historically' low. This affected not just the large financial institutions, the aftermath has been destructive to many business owners having interest rate derivatives.

Verhoeven only kept her business afloat thanks to outside help. The derivative that Verhoeven owned was essentially an insurance against a rising interest rate. When the rates declined, "my debt all of the sudden increased with 400,000 euro"[4], said Verhoeven. If not for a wealthy and helpful family member, Verhoeven's business would have gone bankrupt. Even with the help she got, from her suppliers who were willing to supply her despite the precarious financial position of Verhoeven, the business was on the brink of going down. Being in such a precarious position means a hit to one's self-esteem. Regrets, shame and anger left emotional scars. The feeling of failure cuts deep: "I'd rather have physical problems than go through financial hurt. It is that bad"[5]. Many business owners had to deal with this aftermath.

2.3 Marketing interest rate derivatives

Unanimously, informants declare that the relationship between bank and business owner has changed over the years. With the sale of interest rate derivatives, this change in relationship has

[2] Interview bussiness owner Verhoeven 02-06-17
[3] Interview Verhoeven 02-06-17
[4] Interview Verhoeven 02-06-17
[5] Interview Verhoeven 02-06-17

intensified. The gradual change, where business owners and (former) bankers alike, feel more and more alienated has become painfully pronounced in the aftermath of the falling interest rates. Business owners feel deceived and (former) bankers feel alienated with the mission of their organisation.

The story of business owner Verhoeven is typical and is, in a broad sense similar to the narratives of other business owners with interest rate derivatives. Another business owner says, in a documentary about interest rate derivatives, that the selling process of interest rate derivatives was based on "deceit". Verhoeven also feels betrayed. The bank: "painted a rosy picture of the product"[6]. Banks are supposed to inform their clients about the financial products they sell so business owners have sufficient understanding of the pros and cons. At the time of the interest rate derivative deals, business owners were unaware of the full workings of the financial product. This has put a strain on the relationship between business owner and banker. Many business owners feel like they have been purposefully deceived by their bank, so the bank could make money on the provisions that interest rate derivatives bring. From both my interviews and from journalistic sources, I understand that banks originally denied any of these accusations. However, they gradually had to admit more and more mistakes (FD 2018; FTM 2018). Recently, interest rate derivative cases saw a collective re-evaluation of the selling processes (AFM 2016b). What happened during the sale process of interest rate derivatives that shaped current beliefs?

The selling of interest rate derivatives happened in the years around 2005. I found an old brochure of the Rabobank, depicting the marketing of interest rate derivative products at that time (Figure 1). It is headed with "Interest rate swap to a fixed interest rate". The bank goes on "… you know exactly what your interest charges are, for an extended period of time.", also "You can fix your interest rate position".

[6] Interview Verhoeven 02-06-17

Without thoroughly understanding the product, business owners had the idea that they paid a stable interest rate, that it was a flexible product and that it protected them against the volatility of fluctuating market prices.

The business owner thought that he or she knew exactly what the monthly or three-monthly expenses are. However, as Verhoeven's case shows and what other business owners have experienced, the value of the interest rate derivative is subject to market fluctuations. Once the Euribor[7] rate dropped, the value of the derivative contract became negative, or "under water". Verhoeven's required monthly payment increased. To many business owners, this came as a surprise. As business owner Verhoeven said: "if I would have known, I could go deeper in debt when I have an interest rate derivative, I would not have bought it"[8]. This raises questions on the techniques banks employ to sell their products.

Figure 1. Brochure providing information on interest rate derivative products, aimed at business owners. Image: Frank Wijn

During my talks with business owners and bankers alike, I got the opportunity to talk with the chief risk officer of Triodos Bank. The bank differentiates itself from other banks in their sustainability principles. During my conversation with the risk officer she made it clear that interest rate derivatives are not a product that Triodos sells to SMEs. The chief risk officer said: "I don't see why I would offer a client an interest rate derivative"[9], making it clear that it is not in the interest of the business owner to do so. However, the big banks in the Dutch financial landscape did not just passively offer them, they used active sales techniques. Banks search for new markets. This expansion of markets into new domains is described by Tsing in

[7] Euribor stands for Euro Interbank Offered Rate. These Euribor rates are the average interest rates that a group of European banks charge when granting loans to each other.
[8] Interview Verhoeven 02-06-17
[9] Interview Sabijn Timmers 24-03-17

the context of the rainforests of Indonesia and the profit that could be made from it through cutting it down. Tsing calls this the ‘capitalist frontiers’, when markets are imposed on new, not yet mapped and regulated zones (Tsing 2011, 27–8). To make money, banks are always looking out for new opportunities and create them where possible. It is the working of the capitalist machine to see an unregulated area and reap its benefits. The small business owner was such a frontier with derivatives still mostly unregulated by regulatory bodies.

Even though practically no business owner has explicitly asked for interest rate derivatives, bank pushed the product to the customer. The bank raised special ‘interest rate derivative’ departments, complete with advertisement and cross-selling marketing techniques. Through this, banks created a demand for the product that did not naturally exist within business owners. It is a different working of markets that people normally think of, where demand is present and to which businesses react to fill it. Political economist John Kenneth Galbraith foresaw that the demand for products would increasingly be manufactured by the process by which they are satisfied. This can be done actively and deliberately through “advertising and salesmanship” (Galbraith 1987, 131). Through the manufactured demand for interest rate derivatives, the business owners’ demand becomes dependent on what banks offer them. Banks were able to sell financial products that were not in the interest of business owners. This places banks in a powerful position to dictate markets. Galbraith calls this the ‘Dependence Effect’. Where businesses are powerful enough to create new markets by influencing what people want.

2.4 Controlling the situation

Financial experts have played an important role in the realization of the severe situation surrounding interest rate derivatives. The financial experts I talked to typically employ their financial literacy by providing business owners with financial advice. It were these financial experts who educated the business owner about the extended workings of the interest rate derivative. Hearing this, indignation among business owners grew.

When more and more details became public the AFM, the regulatory body in The Netherlands, launched a series of investigations. Their first intervention where the regulator ordered the banks to revise interest rate derivative cases, has seen fierce criticism of financial experts, media and eventually the minister of finance. The banks were responsible for their own revisions. Thus, having the freedom to act out of their self-interest instead of getting to a ‘fair’ agreement between bank and business owner (Kenniscentrum Rentederivaten 2014). Investigative journalist platform Follow The Money (FTM) calls it the “butchers judging the

quality of their own meat” (FTM 2015), addressing the conceived absurdity in the situation where banks made mistakes and the AFM grants full autonomy to deal with the situation.

Regulator and banks alike have had to reframe their stance on the situation multiple times. From not knowing that anything is wrong to the formation of an independent commission dealing with a collective framework that aims the compensate business owners. Both regulators and the government have acknowledged that there have been thousands of cases where the interest rate derivative was sold under false pretences. That is why minister of finance Dijsselbloem gave the directions to form an independent derivative committee, which is tasked with a collective solution that assesses whether interest rate derivatives were sold under false pretences.

2.5 Invasiveness

Meanwhile at the shop of business owner Verhoeven, despite sales in sports gear going well, the business was at the brink of bankruptcy. The financial trouble meant that the bank redirected Verhoeven towards another department of the bank called *‘Bijzonder Beheer’* or ‘Special management’. According to Rabobank, their objective is: “Cooperating towards a financially healthy future” (Rabobank n.d.). The experiences of Verhoeven are on a whole other level. When her business went bad, due to the interest rate derivative, the bank just took over. She tells a story where everything in her life is controlled by the bank. Not just her business was subject to this invasiveness. Everything was monitored, managed and questioned by the bank, even her private spending’s. Without notice, the bank sent someone to estimate the value of the building. To Verhoeven, it was intimidating having no control over something that she felt was hers.

Her anger and indignation went to a new dimension when the bank meddled with a private financial issue. She said she was annoyed and frustrated when the bank told she spends too much of her private money on clothes or certain goods. To some degree, Verhoeven could still cope with this remark. However, when a bank employee of the ‘special management’ department told her that it was ‘ok’ for her to give money to her children, she was seething. It was about money that her kids use to pay for their studies. Verhoeven felt completely dismayed. “How dare he… to give me permission to provide for my children.”[10], Verhoeven says. Meanwhile, the extra costs and fees, business owner Verhoeven had to pay, increased, rendering her in more and more trouble. Later she found the bill of the valuation report of their building

[10] Interview Verhoeven 02-06-17

by the bank employee that came without notice. These fees added up and instead of helping her get out of the financial mess she was in, the department of ‘Special Management’ seemed to achieve the opposite, rendering her with more and more debt.

There seem to be several themes here that define the relationship between bank and business owner. These themes, that underlie the relationship that increasingly is felt as troublesome and resentful, have to do with the question ‘who owns what?’. The story of Verhoeven is one where the bank takes over control of the business. It is a story that sheds light on an often overseen dynamic in our society.

Our common perception of how ownership works within our cultural system misaligns with its the actual complex cultural workings. Business owners speak about their business as ‘their’ business. However, to run these businesses they need to borrow from the bank. When a business is in danger of becoming a bad investment for the banker, the bank is legally allowed to forcefully control the business and practically take over the business. Therefore, whenever one is in debt, one can say that the business does not technically belong to you, but to the bank. This mechanism goes beyond the interest rate dilemma and applies to every person owing some sort of debt to the bank.

2.6 Resistance

Touching on this question of ownership shows the power dynamics between business owner and bank. Going into debt due to the decreasing value of interest rate derivatives, business owners experienced the leverage the bank has over them in a very explicit way. They experienced that the bank has power to assert financial control over businesses, that are in debt. This counts for practically every business. Few businesses work without needing financial backing from the bank. In the case of interest rate derivatives, business owners feel like these products were sold under false pretences and are often the defining reason why their businesses fail. This means business owners feel tricked but have no way out then to submit to the wishes of the creditors who got them into this mess in the first place.

An interesting difference between countries was observed by financial experts connected to the *‘Kenniscentrum Rentederivaten’* or ‘Knowledge Centre Interest Rate Derivatives’. Patrick van Gerwen, Hester Bais and Frank Wijn mentioned the situation surrounding interest rate derivatives in the United Kingdom (UK). The UK has also seen selling of interest rate derivatives to SMEs. Like in The Netherlands these products have been marketed to suit the ideal product for the business owner, with obvious neglect of the downsides of the product.

Yet, the situation in the UK differs from The Netherlands in one major way as the UK business owners banded together, started to group and organise. They talked to one another and combined their individual feelings of anger, injustice and indignation into a collective movement that resulted in a grassroots organisation called ‘Bully-Banks’. This activist organisation stands up for the business owners and aids scrutinised business owners. Just like the financial experts of the ‘Knowledge Centre Interest Rate Derivatives’ I did not understand why, in The Netherlands, business owners start a collective movement. From what I learned from my informants, there was hardly any conversation between business owners. I asked Verhoeven whether she was in contact with other business owners who experienced the same. She declared “No we are not… I guess… we were ashamed. It was like there was someone seriously ill, we did not talk about it.”[11]. There are feelings of shame, embarrassment, guilt that kept her from reaching out to others. Buying the interest rate derivative was a mistake and the fact that Verhoeven, as other business owners, was not entirely knowledgeable on the workings of the product feels like personal failure. Many business owners in The Netherlands to keep their troubles to themselves. Sociologist Zygmunt Bauman writes that with ‘common interests’ becoming more nebulous and devout of pragmatic value, societies divide instead of unite. The uncertainty that flows from conflicting interests are a “powerful individualizing force” where “…fears, anxieties and grievances are made to be suffered alone” (Bauman 2000, 148). The Dutch business owner is an example of that dynamic.

Individualization seems to be a component that inhibited business owners to come to traditional forms collective action. Business owners shared that the feelings of shame and guilt reinforced by their surroundings. With people reacting like it was the business owners own ‘stupid’ fault. Like they should have been more careful and more knowledgeable. They dug their own grave by buying something they did not understand. It seems that the business owners I spoke to experience a culture where the ability to cope with life as an individual, to be self-sufficient and independency is highly valued. This cultural component exacerbates failure and the guilt that comes with it.

To further illustrate the Dutch feelings of shame I have looked at the linguistics behind the word ‘debt’. The word for debt in the Dutch language is *‘schuld’*, as in what one person owes to another. However, *‘schuld’* has an additional meaning which the English word does not carry. It also means ‘guilt’ or being ‘guilty’. To have a debt increase of hundreds and thousands of euros carries an association of being guilty, of having failed and the shame one

[11] Interview Verhoeven 02-06-17

feels for the precarious position one is in. Even with the interest rate derivatives cases where banks have manipulated the business owners into buying interest rate derivatives, shame is a factor that impedes collective movement.

2.7 To conclude

During the sale of interest rate derivatives to business owners, bankers portrayed the financial product in an overly positive way, often perceived as deceitful by business owners. The dropping interest rates in 2008 increased the debts of business owners, with many verging on bankruptcy. This brought banker and business owner in a precarious position within their unravelling relationship. There is a confusing combination of on the one hand a formal and impersonal market exchange and on the other hand an informal and personal social outcome. As anthropologist Ortiz states, “Individual decision makers straddle two supposedly separate spheres of action: the social world and the market world.” (Ortiz 2005, 74).

In the next chapter, I try to further the understanding of the banks that decided to bring interest rate derivatives to business owners, through analysing their internal workings and its effects on their actions regarding their customers.

Chapter 3: Structures

During my journey into the world where global financial spheres meet the local, I have encountered various difficulties. With the backfiring of the interest rate derivatives sales to SMEs, business owners have seen quick increases in debt. The banks neglectance of informing business owners on the full workings of the complex financial product can cost the bank huge amounts of money if regulators or judicial courts were to rule in favour of the business owner. In this case, the interest rate derivative sales may have been good for the banks, in short-term. However, in the long-term, it might have been a terrible decision.

With people becoming aware of the selling practices banks find themselves in a precarious position. Banks have gone into a crisis management mode in which they pull back from the public, myself included. It was not easy to pinpoint the bank employees who are dealing with interest rate derivatives. When I eventually found someone, who was willing to share contact information of the bank department executives, who now deal with the interest derivative cases, I was mostly met with silence from their side. Two executives, from the three big Dutch banks I approached, never reacted to my attempts to reach out to them. The third executive, after exclaiming his enthusiasm for my research, replied that "The interest derivative dossier is in this phase too sensitive." [12]. After the sensitive times of the interest derivative dossier are over, he is willing to talk to me. However, as business owners and financial experts disclaim, with the current delays on the side of the banks, this could take months, if not years. I believe the bank executive is sincere in his enthusiasm and willingness to talk to me. Nonetheless, there is something holding him back.

It is not just me who experiences this, as I call it, a preventive 'lockdown' of the bank. Business owners experience that communication from the bank towards them is sporadic. Delays in the assessment process, which determines whether the business owner is eligible for a reimbursement, are frequent and badly communicated. These delays are a source of frustration for every business owner involved. Not just because it takes longer, but because business owners perceive in these delays a disparity in power between the parties. They feel that the banks have all the means to 'take their time', to 'wait', until tempers have cooled down. Until the scope of the media has turned towards other happenings.

[12] Correspondence bank executive

With the revolving doors to the banks staying shut, I found another way of gaining insight into the world of the banker, another way to hear the story of the banker. It turns out, once a banker has exited the world of banking, no longer being held back by confidentiality and loyalty towards their employer, the 'ex-banker' is much more generous in talking about their time at the bank. Thus, I met with former bankers, several bankers from head offices and others who worked at the regional offices, directly in contact with bank customers.

3.1 Confusion of interests

"I did not get that at all."[13], said Ad Broere with a telling expression of indignation on his face. Broere is a former banker who used to work at a local banking office in The Netherlands. As an account manager, it was Broere's job to determine whether the customer is fit to receive credit and whether they can take a loan from the bank. We meet at his home in Amsterdam where the former account manager tells me his story about the time he worked at the bank and about his resignation. The former account manager tells me that, leading up to the account manager's decision to leave the company, there have been countless frustrations about his work environment. However, there was one situation, which contrasted so strongly with the moral convictions of Broere that it made him take the decision to throw the towel in the ring.

"A client came and asked for credit"[14], Broere tells me. This client had plans to take over a specific department of a business and needed credit to buy it. "He had a great (financial) proposal."[15], Broere states, with a look of unbelief on his face. As an account manager Broere was tasked to forge this proposal of his client into a credit advice. When sending this from his regional office to the head offices, "It (The credit advice) was rejected, I did not get that at all."[16]. Broere went back to his client and after some deliberation, the client agreed to add some of his personal money to improve the credit and contribute to a better deal for the bank. "Then it was around 50 percent of (the clients) own money and 50 percent a credit grant (from the bank)"[17], Broere said. To his surprise, yet again, the credit request was denied. Again, Broere said, with increased intensity, "I did not get that at all…"[18]. According to the standardised bank procedures, the credit request should have been approved. Trying to make sense of the refusal of the head offices, Broere investigated why it has not been approved. When he tells what he found out, the indignation on the account manager's face heightens. He found out that there

[13] Interview Ad Broere 27-03-17
[14] Interview Ad Broere 27-03-17
[15] Interview Ad Broere 27-03-17
[16] Interview Ad Broere 27-03-17
[17] Interview Ad Broere 27-03-17
[18] Interview Ad Broere 27-03-17

was a higher ranked banker, someone working at the head offices, who leveraged his position to block the credit grant. The reason, Broere stated, was that this high ranked banker had a friend who is in the same business as the client. The personal friend of the high ranked banker wanted to take-over the same company as the client did. The high ranked banker thus obstructed the credit grant to the bank client. "I thought this was so wrong…"[19], Broere tells me, all frustration on his face. When addressing the issue within the bank organisation, to his superiors, nothing was done. Broere: "… and (it was) so wrong that he (the banker from higher up) was inviolable"[20]. There were no repercussions and the client did not get the credit needed. For the account manager Ad Broere, it was the deciding moment that led to his choice to resign.

3.2 The above and beyond

This anecdotal story of corruption within banking signifies that certain interests within the bank are of more importance than others. In this case, the interests of the higher ranked banker are more important than the interests of servicing their client. During my conversation with former account manager Broere, he repeatedly referred to the 'bank interest', a concept that formed the premise of his story. As Broere states: "The bank interests are holy. As an employee, you always had to take this into account. You could never look too much at [the needs] of the customer." [21] These interests are the ones that are dominant over others and thus shape the way people make sense and act as an organisation and as individuals working at the bank. 'Bank interests' are the interests of the bank or banker that go above and beyond any other interests a banker has. From having talked to former bankers I gained insight into the bank as an organisation and how certain interests prevail over others. From conversations with (former) bankers, I derive that there are certain dominant interests that shape the actual cultural values of the bank. Academically, this is not something new, as Karen Ho and Joris Luyendijk both extensively touch on interests that sometimes take peculiar forms within the world of banking. Forms, that sometimes, can stand in stark contrast with the values that banks carry out towards the world and general public.

Profit

"Its profit isn't it…" she said after I explained my research subject. By chance, I met a banker during a family gathering. It seems like a simple and basic explanation for why the banks sold interest rate derivatives. The bank is a business before it is anything else. One does not need to look deeply into the structure of a bank to see the business-like structure of the company, with

[19] Interview Ad Broere 27-03-17
[20] Interview Ad Broere 27-03-17
[21] Interview Ad Broere 27-03-17

executives, annual reports, financial trade and shareholders. Profit is a leading interest that is hard to miss. With a competitive financial market, banks are constantly in search for monetary gain, as to attract the best business partners, because without them a bank cannot survive. It seems, what fuel is to a car is profit to a bank. Without it, it stops in its tracks. With the introduction of the Single European Market in 1993 and the deregulation of financial transactions during 1980's, Dutch banks became relatively easy takeover targets which strengthened the competitive market forces (Colli, De Jong, and Iversen 2013, 48). Being subject to competition on a global scale has intensified the quest for profit. With financial innovation banks started to engage in securitisation, the repackaging of debts through derivative products. This has further driven the economic self-interest of bankers where they engage more and more in maximizing transactions and increasing bank fees (Williams and Conley 2014, 39:112). Banks had to adapt their actions and develop their business strategies to maintain the competitive advantage over not just other Dutch banks but, internationally, over powerful foreign banks, insurers and investment companies.

Like the banker I met by chance, bankers I spoke to are forthright about the profit-driven nature of their organization. The interviews indicate that account managers, people working at treasury or anyone working in the bank adheres to this drive for profit, the leading motivation within the organization. Almost like they say in Dutch 'het is nou eenmaal zo' or 'it's just the way it is'. Thus, it is a reality that remains mostly unquestioned by bankers themselves. Meanwhile, stereotypical image of the greedy banker prevails among the public and is seen as an important cause of the financial crisis of 2007/2008 and many scandals within banking. As for the interest rate derivative dilemma, people are convinced that the selling of interest rate derivatives to business owners is a decision based upon the bank's nature of being profit-driven. Moreover, there seems to be a consensus among my informants that it was mostly a top-down decision to start standardising the financial product to fit the demographic SMEs. Therefore, frustrations among business owners and financial experts are aimed at the bank that seems to be inclined to drop all customer care and decency towards their clients (the business owner) and act according to their short-term profit incentives.

This tendency of banks has not escaped the eye of anthropologist Karen Ho who describes that the organisation of a bank as a whole has become "a site for transferring, exchanging, and selling in order to quickly increase the stock's value" (Ho 2009, 150). In the liquid environment, of banks temporality is prevalent. To remain competitive with other banks a bank's short-term profits is everything. Ho saw that a regular method of increasing stock value

and to increase shareholder value is to engage in 'reorganisation', which often entails firing employees to cut costs, in pursuit of maximum efficiency. The bank becomes a site for liquidations and strategic decisions, any measure that will quickly drive up shareholder value.

What has happened according to my informants, banks stopped selling fixed interest loans and substituted them with a combination of a variable interest rate loan and an interest rate derivative, disguising this arrangement as resulting into an agreement with a fixed interest. Why did they do this? To many, it was just to make money. On top of these deals, bankers could charge extra margins and thus make more profit. More profit means more value for the shareholders, to whom the bank seems to be dependent, just like Karen Ho argues. She calls this a 'mission-driven cause' where executive bankers' sole strive is to create short-term profits to boost shareholder value (Ho 2009, 150). Any long-term goals are a direct violation of the short-term profits that can be made and thus are an attack on the owners of the company, the shareholders. "Shareholders *are* the company" writes Karen Ho, "there is no space for employees to challenge downsizing or stock price primacy because all other constituents are written out of this narrow definition of the company"(Ho 2009, 152). Shareholder value as a guiding principle for corporate behaviour causes a short-term mindset (van Der Zwan 2014, 107–8). This creates a superstructure in which there is a leading purpose of enriching the owners. It is a result of market forces where the competitive position of the bank is constantly challenged by other banks. Shareholders can decide whether they want to invest in one bank or the other and can use this as leverage to generate the leading incentives within the organization.

From a risk perspective

Theo Kocken is not a traditional econometrist. He vouches for a more humanistic approach to economics. At the end of my interview with him, he hands me two books, 'Thinking, Fast and Slow' by Daniel Kahneman and 'The Honest Truth About Dishonesty' by Dan Ariely. When we walk towards the door of his office the former risk manager Kocken tells me: "Working at the banks entailed a constant struggle, to let people see the true risks [and not fool themselves or the external stakeholders]"[22]. Kocken used to work at *'Bank Nederlandse Gemeenten',* ING and Rabobank, as a risk manager. Kocken was tasked to limit excessive profit-seeking behaviour, leading to excessive financial risk. In a way he inhibited the grab it all mentality of the banker without restrictions. A 'constant struggle' it was, the risk manager tells me.

Profits and risk taking are interconnected. On the financial market high-risks can mean high rewards. The value of the work of a bank is measured in how much profit they make in a

[22] Interview Theo Kocken

short stretch of time. Motivations of short-term profit make high-risk endeavours attractive. This conflicts with the several regulatory bodies and internal risk departments, whose aim it is to restrict excessive risk taking. The struggle of Kocken was between his task to mitigate financial risk which conflicts with the profit-seeking behaviour of sales departments. Taking risks for the sales departments could be very lucrative but would mean that the risk manager is not doing his job properly. A regulator, himself a former trader at one of the international big banks, describes the relation between his organisation and the banks as one of 'inherent conflict', a conflict that flows from a difference in objective between regulator and bank. The regulator is tasked with keeping a stable financial sector and the bank's goal is improving short-term shareholder value. It is another example where the notions of efficiency, profit maximisation and shareholder value are so ingrained in the banking corporation, that money can become the moral imperative, one so strong that others fade in comparison.

The echelons

In the quest for constant growth, banks have adopted an organisational structure that benefits these dominant interests. Broere's story and his resignation as account manager give an insight into the bank organisation and how group dynamics within the organisation are shaped. From his story, there seems to be a divide between the regional offices and the head offices. This reality was exacerbated in the account manager's story about the high-ranked banker who blocked a credit grant out of the interest of a personal friend, thus chose this above customer interest. This extreme example of a situation shows that there is a strict hierarchical structure in which this bank operates. In this case, the authority of the higher placed banker was absolute, to the extent that an account manager did not have the power to correct the situation.

The former account manager Broere, worked at a regional office of one of the big Dutch banks. As an account manager, he was in close contact with the bank's customers. Over time the former account manager noticed that his bank became more and more centralised, where power shifted more and more towards the head offices. The head offices were always the departments where the executives of the bank reside. However, decisions and policies where implemented increasingly in a top-down fashion.

Moreover, Broere, while working at the regional offices, always noticed a tension between the two separated offices, head and regional. The people from the head offices were suspicious towards the customer, who could possibly cheat the bank and cause them to lose money and their positive image. They would express this distrust towards the people working at the regional offices, creating an atmosphere of suspicion. With a bank employee once telling

Broere: “When it comes down to it… then all our customers will disappoint us.” from which Broere took that the head offices had a completely bleak outlook on their customers.” Sooner or later they will cheat you.", was the sentiment according to Broere. It signifies a banks attitude towards their customers and where the leading incentive of ‘making quick money’, goes beyond the care for their customers. According to the head offices, the regional bankers are too close to the customer and thus dangerous to the bank interests.

With head offices dictating bank policy in a top-down manner, banks portray a particular form of hierarchy. While some form of hierarchy and leadership is necessary, the hierarchical structures of banks have been subject to criticism in my conversations by their own former employees. “In a large company, there’s so much white noise, so much air.”[23] says Patrick van Gerwen. As a banker who worked as a treasurer, he was closely involved with dealing with the financial balance of the bank. Van Gerwen continues:

“There’s a hierarchy… So, you yourself can think of something (an idea). You can have an idea, but it needs to be approved by your boss. If it is a proposal that is not beneficial to another director… the idea can be a good one, but he isn’t going to use it, because he (the boss) knows that it will discredit him (with the other director).”[24]

In Van Gerwen’s experience, the hierarchical ladder in the bank organisation can become a ground for political games. Games about “who is allowed this or that”, games that create “air”, efforts that do not directly lead to a better functioning of the bank. Certain ideas within the bank hierarchy are suppressed, a working that shows that certain mechanism in the bank’s hierarchy can restrict proper organizational functioning. The stories of the treasurer working at the head office and the story of the account manager share the opinion that in some ways the hierarchy of a bank can be counter-effective and grounds for internal conflicts between members of the organisation. This permeates the relationship between bank and business owner, when business owners are not getting proper customer care, due to inner conflict within the bank.

3.3 Becoming embedded

Consider the following. You have just graduated college or university and you are in search for a job. To pay the rent, food and the occasional drink with friends you need-money, because that is the way the world works. Unless you have great ideas to start an enterprise of your own, you

[23] Interview Patrick van Gerwen 07-04-17
[24] Interview Patrick van Gerwen 07-04-17

look at the job offers that are out there. You find a promising job, that offers the possibility to receive training, great benefits, the prospect of pay raise and growth opportunities. These are things banks offer their new hires. Being accepted into your new job you find yourself in a new environment, an organisation, a group of people who all work according to the 'bank's interests'. This is the moment you become embedded in a new social world, when you learn the customs, language and attitude where you learn to thrive in this organisation. A process that anthropologist's call 'enculturation', learning the culture of a social sphere.

"Can you tell me a bit more about yourself?" I asked a former banker. She tells me that shortly after her graduation from university, she got a job offer from ING. She does not need encouragement to talk. She lists a considerable line-up of jobs she had, functions she occupied and responsibilities she had at some prominent financial institutions. Many former bankers were able to produce these impressive lists. What I was most interested in though was the 'why', what are their motivations, their frames of reference on which they base their decisions. "Why did you start working in the financial sector?" I would ask. Like most people I spoke to, who work in finance, there is a moment of contemplation needed to answer the 'why'. The former banker said: "It has never been a conscious decision". It has been something that pops up again and again, as I noticed this in other conversations as well. Another former banker replied to my 'why' question:

"That's a good one … [thinks] I've only made two conscious decisions in my life. One was marrying my wife... and the other was getting children, by God's grace. The rest [of the decisions] … I wasn't always 100% behind it."[25]

This attitude of the former banker is summarised in the response '*Ik ben er toevallig terecht gekomen*', similar to 'I got into banking by chance', or '*Ik ben er ingerold*'. This means 'I just sort of landed in there'. Many bankers fostered no pre-existing desire to work at a bank before they saw the job offer. Considering the pauses, awkward laughs and the search for words that I encountered, the question 'what work did you do?' seems to be considerable easier to answer than 'why you worked there?'. This detachment towards the 'why I do it' plays a role in shaping a banker's attitude towards their interaction with their customers.

All humans have culture, anthropologists agree (Kottak 2011, 27). However, the precise definition is subject to debate. Kottak defines culture as follows: "Cultures are traditions and customs, transmitted through learning, that form and guide the beliefs and behaviour of the

[25] Interview Frank Wijn 31-03-17

people exposed to them." (Kottak 2011, 5). Jordan calls culture "an integrated system of learned, shared ideas (thoughts, ideals, and attitudes), behaviours (actions), and material artefacts (objects) characteristic of a group" (Jordan 2010, 17) and thus includes objects in the definition of culture. When looking at organisational culture specifically, psychologist Edgar Schein defines organisational culture as:

"Basic assumptions and beliefs that are shared by members of an organisation, that operate unconsciously, and that define in a basic "taken-for-granted" fashion an organisation's view of itself and its environment. These assumptions and beliefs are learned responses to a group's problems, they come to be taken for granted because they solve those problems repeatedly and reliably." (Schein 1985, 6–7).

All these definitions of culture see culture as 'learned'. Anthropologists call this process of learning culture, 'enculturation'. Through enculturation, people learn about customs and opinions that deal with proper and improper behaviour (Kottak 2011, 5). This process is key to the establishment of a cultural framework.

From my conversations with former bankers, few of them fostered an innate desire to work at a financial institution. They ended up working at a bank, by chance. Therefore, at the time of first contact with the banking culture, the aspiring banker does not hold have strong individual convictions about the moral obligations of the bank. This limits the individuals capacity to act out of free will, it limits agency. As the individual will start their work at the bank they get absorbed by the culture of the bank, its language and customs. Due to the banker's low degree of agency, the new banker will successfully be enculturated into the banks structure. The result is, a conforming banker who steps in line with the interest of the bank, and its 'bank interests'.

A couple of bankers expressed that once you live and work in an environment like a bank, it is very hard to look beyond it. The banker's life is restricted to his working environment. According to bankers, it is very hard to step outside it and realise how your actions influence the people you are dealing with.

When interest rate derivatives were standardised and to be sold to business owners, bankers seem to have been so ingrained within their organisational culture, that they viewed the decision to start selling derivatives to business owners and portray the products as they did, as something that had to be done, to serve the 'bank interests'. The internally unquestioned pursuit of the interests of the bank were corrosive to the relationship with business owners.

3.4 The giving banker

The bankers I talked with, communicated that clients tend to get the short end through the profit-driven nature of banks. Placing myself in the shoes of a banker I wonder how this is legitimized. With banks being embedded in the competitive global market come incentives of profit-seeking behaviour. By chance, I got to speak to a banker from London, who now works as an asset manager in New York. As I mentioned that I wanted to understand the trouble between business owner and bank, she said “it’s profit isn’t it…”[26].

The image of the banker who puts profit above all morals is not new. In the public debate, bankers are often portrayed as people surrounded by large sums of money, through bonusses and trade deals. It is easy to regard bankers through this popular image. In the movie ‘Wall Street’ from 1987 the character Gordon Gekko, who represents an investor from Wall Street, embodies the image of the money-crazed nature of the finance industry:

“The point is, ladies and gentlemen, that greed -- for lack of a better word -- is good. Greed is right. Greed works. Greed clarifies, cuts through, and captures the essence of the evolutionary spirit. Greed, in all of its forms -- greed for life, for money, for love, knowledge -- has marked the upward surge of mankind.”.

It is a representation of an ideology inspired by Ayn Rand, Alan Greenspan, Margaret Thatcher and Ronal Reagan. Bankers tend to use this ideology as an academic legitimization of their self-interested behaviour (Ho 2009, 28). According to neoliberal ideology, this is key to a better collective outcome. Therefore, this image of self-interested greedy characters does not seem to fit with the image that bankers have of themselves, as they feel they act out of a collective good. The meeting with the NVB made it clear that bankers have good intent and willing to explore practices that benefit the collective directly. I want to provide an alternative to the stereotypical image of the ‘greedy banker’, namely the giving banker.

Placing oneself in the shoes of a banker, it is the banker’s job to provide, not just for themselves and their family; their mortgages and (possibly) a fancy car, but to provide clients the ‘financial means of living’. A banker’s job is a job of continuous giving, giving people credit, extending loans, providing services and information to support their deals. This position of bank employees as givers is their frame of reference, their worldview and their motivation. Now if we see the banker as the giver and the business owner as the receiver of credit and

[26] Informal conversation Asset manager 21-05-17

services, then we get a more understanding view of the banker's perspective and how he makes sense of financial transactions and his relationship with his clients.

The banker belongs to an organisation with a huge financial capacity, making the relationship between business owner and bank inherently asymmetrical. A bank has the financial position to grant a business owner a loan. On the other hand, business owners could never grant a loan to a bank, they do not have the means. This is an asymmetrical relation, an uneven balance between giver and receiver. Therefore, the bank has power to dictate the exchange. The business owner, as a receiver, is in a position where he needs to adhere to the rules that the bank sets for repayment. Once in debt with the bank, business owners are tied to the bank as they need to payback the debt that they have. They must be compliant and loyal to the banks regulations. This power banks have over their clients, is illustrated by business owner Verhoeven and many other businesses who found themselves in financial trouble, due to mistakes made by the bank themselves.

The business owner is given a loan and needs to repay the loan. On top of the loan the business owner pays an interest rate. It is a relation of clientelism, where the bank is powerful, and the business owner is dependent. An interesting insight is provided by Nietzsche, which turns the values and ideas that we bestow on the giver-receiver relationship around: "Does the giver not have to give thanks that the receiver received? Is bestowing not a bare necessity? Is receiving not mercy?" (Nietzsche 2016, 180). This is an alternative way of thinking and a worthwhile thought, as the short-term incentives within the banking organisation lead bankers to forget that their own survival within the global competitive market is dependent on their customer's willingness to do business.

The asymmetrical relationship between business owner and bank takes abusive forms within the interest rate derivative dilemma. Banks have a powerful position, boasting the coercive means to satisfy their self-interests. The business owner has two choices, to give in and remain compliant or risk his financial position and his business and fight the bank. Defiance would mean potentially giving up one's livelihood. With business owners saying: "This is our life work, that's how I would call it."[27]. The latter option is a difficult one to choose, as it risks everything the business owner has. This locks business owners in a structure in which they have very little options, very little agency to set actions to their interests.

[27] Interview Marcel van Dijk 23-05-17

3.5 To conclude

The stories of (former) bankers indicate that the following bank interests dictate the actions of the bank: short-term profit-making and fitting in with the top-down hierarchy of the bank. The sale of interest rate derivatives brought quick profit for the banks and the decision to start selling them to business owners came from the upper echelons of the bank. With many bank employees ending up at banks without it being a conscious and deliberate decision, they have little agency to change the self-serving structure of the bank. With bank interests conflicting with business owners' interests, customer care was disregarded in favour of the promise of short-term profit. This has contributed to the corrosive relationship between bank and business owner.

Following this deliberation of the social mechanisms at work, in the next chapter I aim to understand the idea that is heavily interwoven with this relation, money and all its forms.

Chapter 4: Money

4.1 Money, derivatives and the material world

The conflict, rules and emotions of my informants revolve around a cultural artefact that is omnipresent in today's world, money. Whether one talks with a banker or a business owner, a regulator or financial expert, money is central to the story. According to Ortner (1973: 1339) the cultural significance of a key symbol, the dominant symbol within a culture, is illustrated by the fact that it is the subject where people become negatively or positively excited about. Surrounding key symbols are collective rules enforced by a governing body. When talking about bankers, business owners and interest rate derivatives money is the key symbol of the conversation. Money has a whole financial system and economic machine that surrounds it. Discussions between banker and business owner involve money. With money being so fundamental to the situation, the way it manifests within the culture of both the civil and the financial world plays a significant role in the relationship between bank and business owner.

There is no getting around the role of money in our society, it is deeply embedded in modern day society. Money, as a means of exchange, a general-purpose to signify value. Therefore, money can be exchanged for anything, from basic goods and needs, to exotic and luxurious goods and services (Carrier 2012, 16). To account for its universal means of quantifying value and its multitude of forms, money is best approached as being an 'idea' (Dodd 2014, 48). Approaching money as an idea makes money both transformative as well as a product resulting from culture. The idea of money has seen many forms over history. Looking at these ideas can give us insight into the way money is interwoven into the relationship between bank and business owner.

To begin to describe the role of money I start with 'gold', the metal that is valued so highly in so many cultures in the world. Maybe its value derives from its deep yellow and shiny appearance, or its property of not reacting to air, water or most other elements, making it an ideal coin and decoration. It could also be due to its sheer weight per volume making it feel heavy and 'premium'.

Historically money and gold are closely tied. During earlier times money was literally equal to gold. The precious metal was minted and made into coins (Allen 2009, 14). The value of money derived its value from the value people gave to gold. Thus, money was part of the material world. There could be no more money than there is gold, something that completely

changed later in history. People could chafe off some gold off the gold coin, decreasing the intrinsic value of the coin but keeping the face value (Allen 2009, 71). Rendering coins with less gold but even value. Further distancing from money's material connection happened with the invention of paper money. The value of paper money was still tied to a certain amount of gold, as any paper money could be exchanged for its equivalent of gold (Allen 2009, 14). Paper money thus explicitly got its value from the value of gold. However, it was one of the steps towards a fundamental change in the workings of money. It is a step where the concept of money became more removed from the material world. After all, paper in and of itself bares no or very little intrinsic monetary value. The explicit link between the value of money and gold was established in what is called the 'gold standard' where (inter)nationally the major currencies were fixed to gold through price per ounce. This explicit relation between gold and money has, relatively recently, been dismissed through the dismantling in 1973 of the 'Bretton Woods system', an accord between 44 countries that set a fixed exchange-rate system between the dominant American dollar and gold. This meant the breakup between the ties that bound money and its different currencies to the value of gold.

The years after abolishing Bretton Woods are characterised by a monetary system where money began to live its own life. What I mean by this is explained through the way that money is created these days, a process that is extensively described by anthropologist David Graeber in his book 'Debt'. When thinking of the creation of money, my first thoughts are on the European Central Bank (ECB), where millions of euros are created through a process called quantitative easing. However, most of the money is created by commercial banks through a process that economists call 'fractional reserve banking' (Allen 2009, 15). In a system of fractional reserve banking a bank loans out more money than it has in reserve. Thus, there is way more money circulating in the economy than there is actual money. Money thus becomes a number in a computer or 'virtual'. Through this system, banks can increase their profits through the increased income they get from interest rates. However, when a bank's customers all demand their money back, banks will be unable to give it back. With this arises the risk of a bank-run and this has been seen when the trust in a bank wavers and people preventatively demand their money. At some point, a bank is unable to pay back its customers. Other than this risk, what interests me is the continuation of money as an artefact of exchange that increasingly sheds its connections with ideas that keep it anchored.

The way people handle money has changed. At the same time money has become increasingly abstract with the gradual increase money (Eriksen 2007, 25–26). With money

becoming more abstract and its characteristic of a quantification of value draws more and more of the social world in its orbit, it gains an "endless capacity to attract desire" (Appadurai 2015, chap. 1). Therefore, the desire for money and the desire for more money become one and the same thing Appadurai argues (Appadurai 2015, chap. 1). Rarely there is such a thing as 'too much money'. There is no moral cap to having money. But there is a need to have more money than the contestant within the market, thus inviting an expansion of the pool of commodities (Appadurai 2011, 57). To expand money has been transformed throughout history, money lifting its anchors that inhibit its free circulation. It sheds its form of a material object into a more abstract idea, expanding the pool of commodities to a number only limited by the banker's imagination. With ideas, rather than material objects, being the main source of profit in contemporary society, once the idea is produced it can be put to use to make more and more money (Bauman 2000, 151). With the dams open for a free flow of money, with different ideas of money, more money can be made. This shift from the material to the idea is a fundamental part of Ho's liquid culture and money becoming a flowing, liquid concept. Finance becomes more and more a phenomenon that leans on its own ideas to make money, making money with money.

In my research, money came back in various forms, as profit, as debt, as derivative etc. Derivatives are at the core of modern days' financial innovation (LiPuma and Lee 2004). Its value derives from the value of an underlying asset. This underlying asset can be almost anything that is deemed appropriate. During the years leading up to the financial crisis of 2008 the underlying assets of CDO's where mortgages, bundled and repacked. However, the underlying assets could also be certain stocks, commodities or currencies. The cases where derivatives were sold to business owners involved interest rate derivatives, where the value of the derivative is derived from interest rates. As interest rates rise or fall the value of the interest rate contract fluctuates. Interest is thus a central concept in these financial products. Therefore, I will explain what interest is and how it contributes to a further form of abstraction of money.

During my conversations, someone explained interest to me as simply being the 'prise of money', the amount of money it costs to buy or sell money. In the European Union, there are various standardised interest rates which banks adhere to in their exchanges, the most important being the LIBOR and EURIBOR rates. These rates fluctuate according to changes in the market sphere. Certain parties want to insure themselves against changes in this 'price of money' so they are not faced with unexpected financial costs. This is where a derivative can be used, which is generally regarded as an insurance instrument. An interest rate derivative is a contract

between two parties where one insures themselves against a rising interest rate and the other party against a decline in interest rate. The essential thing to note is that the monetary value of this contract is derived from the interest rate, monetary value on a second-order level. As it derives its value from something such as the complex underlying workings as interest rates, it moves into further levels of abstraction. Levels where the value of the interest rate derivative has no physical ties to something material. The direct link with the material world has been removed. This form of money is now fundamentally based on the complex world of financial developments, one where the agenda is set by financial institutions and markets. It is this distance to our reality that complicates our sensemaking processes. Yet there seems to be a cultural background where anyone is expected to understand it and if you do not, you fail to a self-sufficient person which is a highly regarded aspiration in our culture. These aspects of our culture are embodied in the feelings of the business owner who perceives the rise of his or her debt with shame and feelings of personal failure.

4.2 Abstraction and knowledge

The complexity and abstraction of the interest derivative makes the product difficult to fully understand. “We have to recognise that what an actor knows as a competent … member of society, ‘shades off’ in contexts that stretch beyond those of his or her day-to-day activity.” (Cassell 1993, 126). This has consequences to the knowledge we have of the processes that define our society. Between bank and business owner, this problem of complexity and abstraction caused problems when trying to make sense of the situation. This has contributed to the corrosive relationship between them.

In the aftermath of the sales, when bank and business owner cannot settle on an agreement, the battle for who is right is regularly brought to the court of law. I got to experience such a legal debate through the eyes of financial experts who service business owners through legal and financial advice. The talks and meetings that are held between bankers and business owners mostly happen behind closed doors, which made it difficult for me to gain first-hand insight into their interaction. However, the opportunity for me to attend a case in court of law, presided by a judge, gave me a valuable first-hand idea of how these two parties interact. It turned out that the subject of discussion is often on the financial knowledge of the parties who are involved.

As I arrive at the regional judicial court in ‘s-Hertogenbosch I see the familiar face of Hester Bais. Not long ago she agreed to engage in an interview. Today I get to witness how the job of a (financial) attorney representing business owner looks. Together with another attorney,

they represent the business owner during the court case. They mention the long hours they spend in preparing their court statements. There is another familiar face present, Patrick van Gerwen. After having interviewed the former treasury banker, he invited me to today's court case. As a financial expert, Van Gerwen was responsible for making a financial overview and making the necessary calculations to state their case.

The people waiting for the courtroom to open are standing in a circle. As I introduced myself to the people that are present, I meet Bart Stok, owner of King Cuisine. His company, that he has sold by now, manufactures fresh meals which are distributed to big supermarket chains such as Jumbo. The bank that sold him interest rate derivatives is Rabobank and its lawyers and representatives are standing not far from us.

"It is going to be a long process" says the attorney, probably from 13.00 h to 17.00 h in a hot court hall with heated debate. I sense that the group is somewhat tensed about the upcoming sitting. The opposing party of the Rabobank, their attorneys and representatives, are easily recognised by their navy-blue suits standing at the other side of the hallway. After meeting everyone and some informal conversation, the scribe invited us to enter the court room.

Although there is no formal procedure for this, the opposing parties enter one after the other, which I later saw as symptom of their divide. I try to come off as somewhat neutral by sitting in the middle between both parties. On one side the bankers, on the other the people from the business owner. The chairwoman and her two councillors sit behind an elevated desk with big file books in front of them. The registrar sits adjacent to this desk and seems to be focused on her typing. Slightly lower positioned, in front of the desk stand three tables spanning the length of the courtroom. On one side, Bart Stok and his two attorneys. On the other, the four attorneys representing the Rabobank.

There are two rounds for each party to state their case. I will quickly highlight and summarise the legal points made by the business owner. According to the business owner and his attorneys the information brochure, explaining interest rate derivatives, did not contain enough information to legitimise the correct financial advice. Moreover, contrary to how the financial product was marketed towards the business owner, the interest rate derivative construction did not provide a fixed interest rate. Furthermore, the bank failed to take the wishes of the client in consideration by predetermining that the interest rate derivative was the correct financial product. On top of that, the bank charged hidden premiums, which is forbidden. The bank could freely make changes to the interest rate contract, creating a "single-sided creditor

risk", meaning that of the two parties involved in the contract it is only the business owner who is carrying the risk.

During the court case, I witnessed a situation where both parties had opposing views and stated contrasting opinions on the circumstances. Bart Stok feels wronged and knows that other business owners go through the same experiences. He told me that he experienced his interactions with the bank with increased indignation and that it is now a matter of principle for him. Bart is fortunate to have the financial resources to go through all the judicial procedures. This judiciary road started in 2012. Five years later the proceeding against Rabobank has cost him 200,000 euros. An amount of money that most business owners cannot pay up. I think Bart thus recognises it as his responsibility to 'fight this fight' for what he thinks is right.

The role of interest rate swap, as the financial product, that bound business owner and banker in a relationship of exchange is a fundamental aspect of what makes the situation confusing to both the outside world and the people directly involved. This difficulty in understanding the full situation is something I have experienced myself during my research phase and having adequate knowledge on the subject was always a worry for me. The importance of knowledge, which in this case can be very specialist and in-depth in the workings of financial hedging instruments, is highlighted during the court case. Both parties, business owner and banker, seem to disagree on most subjects. The judge attempts to incite a mutual agreement between the parties. However, they both claim that their opinions are too different from each other to be able to reconcile. So, throughout the court case subjects are discussed, laid out and disputed, going into the fine details of the selling process, what interest rate derivatives do or are supposed to do and who knew what and when. During recess, the business owner's attorneys disclaim their worries about the knowledge of the judge. They do not know how proficient and how far the knowledge of the judge on financial issues stretches. Having felt out of my depth myself researching this subject I feel for the judge who has to understand the entirety of the situation in a record tempo. Knowledge is an important factor and by times a tool used by both parties.

When researching interest rate derivatives, you will find that in many news publications these products are labelled as "complex", following multiple lines of text which give an idea about the general workings of the product. I stumbled upon a short YouTube clip from Michael Moore, a politically oriented writer and filmmaker, who is described on his Wikipedia page as politically oriented towards the left. In a series of comical editing, he asks bankers at Wall Street to explain what derivatives are. Beside Wall Street bankers ignoring him or denying him, he

finds experts who have a great deal of trouble to explain them, often needing to start over, rephrase and stumbling over words. At some point, believing I understood the basics of the interest rate derivative, I decided to dig a little deeper. I downloaded a scientific article on the pricing of interest rate derivatives (Chacko and Das 2002). The sheer mathematical content behind the workings of interest rate derivatives is staggering. This bares the question who truly understands interest derivatives to the extent that is necessary for safe conduct? Are there cases of financial illiteracy and is the chance of financial illiteracy not growing with the invention of interest rate derivatives? Is the financial sector out of its depth, working towards financial innovation driven by a relentless competitive market?

Gillian Tett in 'Fool's Gold' describes the road of technical innovation that came with derivatives within a team of quantitative analysts at J.P. Morgan, a Wall Street bank. These 'quants', as they are called in financial jargon, are the mathematical brains behind derivatives (Tett 2009, 33). In the 1980's the use of derivatives within financial institutions as a way of managing risk surged. This was a time of deregulation of the financial markets. Since then, derivatives were further developed.

In The Netherlands, interest rate derivatives were standardised as to be made fit for sale for SMEs between 2006 and 2009 (Kenniscentrum Rentederivaten 2014, 14). During these times banks stopped giving out loans with a fixed interest rate. These loans are interesting for customers, as they offer security opposed to a variable interest rate, which bares the possibility of rising and bringing a business in financial trouble. Due to the financial environment at the time, fixed interest loans were not profitable for the bank. Banks began to standardize interest rate derivatives for SMEs, a new market with the prospect of profit.

However, the complexity of interest rate derivatives, specifically its abstract nature which little ties with the material world, brings with it new uncertainties and unknowns. The stories that I heard indicate that on both sides of the sale there was a lack of knowledge on the products that were exchanged. Business owners, with whom I talked, declared that they did not know at the time what they were buying. From what people told me, banks put up sales targets and gave their sales persons the order to sell at least 'this amount' of interest rate derivative packages to business owners. It seems that in the case of interest rate derivatives the highly specialised division of labour in which we work in our society, works against itself. It may be a great tool to optimise and achieve efficiency as a business, which can benefit society, but the complicated nature of interest rate derivative means that key actors within the system lack important information.

Theo Kocken, often called the derivatives expert of The Netherlands. With his business 'Cardano' he offers risk solutions to pension funds. Furthermore, he is professor in risk management at the 'Vrije Universiteit' in Amsterdam. The ministry of finance called upon his expertise when the aftermath of the interest rate derivatives sales became apparent, that the regulators did not step in properly and that banks were not able to correct their mistakes by themselves. Kocken became part of the three-man team, appointed by the Dutch government, called the 'Derivatives Committee'. They have established a collective reassessment of the cases where interest rate derivatives were considered to be miss-sold. Having experience working in banks himself, he was appointed to be the one who could establish solutions for the business owners with interest rate derivatives. I got into contact with Kocken through my personal network. His insights provided me with inside information on interest rate derivatives.

As we were sitting in chairs in his office close to the centre of Rotterdam, an office which looked much like a living room, he shared with me his view of what happened. "I'm not talking about mean people, rascals… I'm talking about honest people who have an incorrect human image."[28]. According to the derivative expert, there are parts of the banks that lack the sufficient knowledge. "The top does not understand it either, it's pretty strange huh? (The people) In the dealing room they understand it, but the top does not understand it. That is something that needs fundamental change. I think the top should understand everything."[29]. The top leadership of banks, who have worked in banking for 20 years, do not know how derivatives work. Yet, they are the ones who craft the strategy of the company, its policies and decisions. The top leadership does not understand interest rate derivatives, yet they decide to begin procedures to standardise them and sell them to a new demographic who have no extensive financial knowledge, the business owner. They even founded and directed special departments, which were dedicated to the sale of derivatives. This shows that the goal of making money is of higher priority than customer satisfaction and a decision-making process where very few people actually had sufficient knowledge.

The bankers maintaining contact with clients have insight into the account information and provide information to the client. During the sale of an interest rate derivative contract, the business owner, his/her personal accountant and two bankers from different departments would meet. One banker is the account manager, who maintains the customer relations with the bank

[28] Interview Theo Kocken 09-03-17
[29] Interview Theo Kocken 09-03-17

and performs the direct services. The other party is someone not familiar to the client and is part of the special department tasked with selling interest rate derivatives.

The financial advisors to the clients, those member of the 'Knowledge Centre for derivatives' said that these two parties from the bank knew very little about the actual workings of interest rate derivatives. The bankers showed the information they had been given by their superiors, information that highly favoured the positive aspects of the interest rate derivative. A former banker told me that bank employees, tasked with selling derivatives to small business owners, participated in an interest rate derivative education program that lasted only a single day. In his view bankers did not know enough about interest rate derivatives to sell them to the appropriate customer, meaning the customer that would benefit from the product. The picture is painted where the banker is a salesman who only vaguely knows what he sells. The banker in this case is a salesperson selling financial products to clients. Yet, a good salesperson knows the product he sells, inside and out. Very much like a salesperson at the specialist cheese shop across my street, who knows everything about the cheeses he sells. The banker was no such salesperson and seemed to have only a vague understanding of his product when selling it to his customer. This a source of frustration I heard time and time again from regulators, former bankers, financial experts and business owners alike.

During my conversation with Frank Wijn at a golf court in Best, in the Southern parts of The Netherlands, the former banker describes to me a specific mechanism within the banking organisation. This mechanism is a reason for the incompetence of bankers he states. Not because these are stupid people, he explicitly states. Although each banker has his skills, the competition between employees in the world of banking is causing that the people in certain position do not have the right skills for that particular job. The former banker describes a picture that is similar to the culture that Karen Ho observes, one where employees are continuously moving from one job to the other. Effectively, creating a temporal culture where the 'solid' assets of the bank are mobilized and made liquid, a liquid culture (Ho 2009). The decisions of the bank employees are based on the opportunities that their employer's grants to them, former banker Frank Wijn states. Banks hire so-called 'head-hunters' whose job it is to recruit employees, often snatching them away from other banks. This creates a field of competition over workers where banks compete to attract the best employees. Highly sought-after employees will get offers from another bank promising higher salaries, higher positions and better benefits. The current employer then has a choice, if they want to keep their desirable employee they need to make an attractive counter offer. Through this mechanism bank

employees who are good at what they do elsewise, end up in positions where they are "out of their league"[30]. The field of competition seems to have the potential to create situations where employees are in the wrong places within the organisation, lacking competence. Despite being competent in other fields of expertise.

With very few who truly understand the workings of derivatives, it becomes difficult for people to make sense of the product itself. Lacking the possibility to enact their agency, people will grasp to structural frames of reference. These structures are imposed by the organisational/hierarchical rules of the banking group they are a member of. Within hierarchical structure one needs to be complaisant and instead of endlessly searching for causal relations that are not there or are obscured. Moreover, with the work pressure that is on employees, they have no time to spend to give things an extra thought, do research or simply dwell on a decision or situation. Following this argument, bank employees have an inhibited agency where their actions flow predominantly from the bank's organizational structure they are embedded in. The lack of knowledge of bankers and their incentives to appease superiors were factors that allowed a financial product that did not benefit the business owner, to be sold without public critique, resistance or refusal.

Furthermore, within a complex structure, there is no longer the feeling that problems that arise are the side effects of one's "own", individual or autonomous decisions. Rather, employees are inclined to feel that decisions are made for them and that problems are the result of decisions made by "others". Thus, we can no longer distinct self-induced problems and problems caused by others. It results, a situation where the defining processes that define a culture cannot be fully comprehended. Appadurai recognizes that despite our complex mathematical models "… have far exceeded the organizations and tools for its management, hence opening a new distance between expert and popular understanding of risk" (Appadurai 2011, 528). It is for this reason Appadurai believes that 'exotic' financial products are so widespread, products that "… on the bottom lines of financial businesses is virtually impossible to measure."(Appadurai 2011, 528).

There seems to be a culture within banks, where people will be likely to take a protective attitude towards themselves to preserve their own self-image. Selling interest rate derivatives becomes just something they had to do. It is an attempt protect positive self-image and their moral consciousness. Thus, as we have seen with the interest rate derivative situation, bankers

[30] Interview Frank Wijn 31-03-17

have difficulty with recognising their own involvement and react accordingly to serve the interests of the business owner.

As social systems become more diffuse and opaque systems that define our lives remain hidden. Due abstract and complex workings of finance we create a black box for ourselves which makes the world hard to understand. In the words of Zygmunt Bauman on the contemporary division of wealth and power: "It is a world that has long ceased controlling itself (although it obsessively seeks to control individual people), a world that cannot respond to its own dilemmas and lessen the tensions it has sowed." (Bauman 2013, 5). When interest rate derivatives were sold to business owners their understanding of these opaque systems was easy to manipulate and shift views of people to suit the interests of the bank. The fact that humans are notoriously bad at understanding abstract systems is reinforced by psychological study by Kahneman through a concept called 'narrative fallacy' (Kahneman 2011, 199). People find simple concrete stories compelling instead of the abstract complex reality, thus creating false narratives representing the complex real world. Furthermore, due to the abstract and complex workings of interest rate derivatives it is difficult to resolve complications within the relation between bank and business owner. In the dialogue with business owners, both in the meeting rooms and the judicial sphere, banks make use of the confusion that this black box creates to set the discourse to favour the bank interests.

4.3 Paradox of being informed

It requires thorough investigation and understanding to mend the conflict that followed the sale of interest rate derivatives. With the legal dispute between business owner and bank specialist, knowledge is continuously used to further ones' interests. To resolve the conflict there is a need for people and institutions that are both knowledgeable on the subject and independent. I observe an inherent contradiction between the need for independence and having expert knowledge.

Structures are formed through a history of past events. These create rules and resources that influence a person's agency as they function as a mode of reference for present events (Giddens 1984, 24). Integral to Giddens understanding of agency and structure is its dialectic relation, one influencing the other and vice versa. This way, a person is in a continuous state where beliefs and convictions of the past are matched against present surroundings. These past experiences within a bank will colour a person's views in a certain way and has consequences to the independent financial expert.

The financial expert per definition has a history of having dealt with and been in an environment where derivatives are part of everyday reality. Therefore, they part of a culture of finance, a liquid culture. Whereas some parties in the field are often labelled as being 'independent' no one can truly be independent, as to have specialist knowledge about the subject one has to be part of the financial culture. When an expert is part of this culture, it is very difficult to disembed themselves from their cultural background. This means that customs and beliefs within the financial culture are difficult to contest.

4.4 Distance to otherness

When I think about my ethnographic experiences there is an observation that keeps popping back into my mind. A large part of human reality was not mentioned throughout my interviews and conversations. The liquid culture within the world of finance has created a financial world revolving around itself, leaving important frames of reference behind.

Having observed the grudges, anger and disbelief of the people I talked to, I view this distancing as problematic. Anthropologist Argyrou describes the history of the western attitude towards otherness and how the western attitude towards nature influenced the attitudes towards people other than westerners. Through this he argues how the western society became a society striving for dominance, first over nature then over other people. To counteract structures of hegemony, Argyrou suggests to think the 'unthought', all the preconceived notions and prejudices which we take for granted in our daily lives or as Argyrou puts it "... that which appears natural and necessary and therefore remains undiscussed and unquestioned" (Argyrou 2005, 24). For change to happen in the existing power structures, these unquestioned aspects of our life need to be thought about and questioned. However, thinking the unthought is no easy task. To address preconceptions is to address our own identity and question it. This sparked with me the question; where do we get the inspiration to think the unthought?

The world of banking is being created by people, reproduced by people and it is on a road of development towards an increasingly complex state. The development of finance is like an unstoppable force. With it being a man-made global world that sheds all ties with the solid, material world, there it is difficult to think beyond it. The undiscussed an unquestioned remains hidden. Unthought is not being thought. Finance, making money with money, is a reality that is exclusively defined by humans, an accumulation of human ideas. It misses important elements of human reality. Nature is absent, traditional human values are absent.

Finance's disengagement with these forms of otherness inhibits thinking the unthought. It inhibits a transformation into a structure where bank interests do not revolve around short-

term profits that conflict with the healthy livelihoods of its social surroundings. To transform this current hegemony that erodes social relationships, into a more harmonious relationship between people, we need to actively engage with the otherness. Shifting our gaze towards communities of people with profoundly different relationships and modes of exchange differently. In 'Beyond Nature and Culture' by Phillipe Descola such fundamentally different relations are described. In the upper region of the Amazon, South America, do not see nature as something that is opposed to culture. They see it as an extension of it and "… enriches it in a cosmos in which everything is organised according to the criteria of human beings." (Descola 2013, chap. 1). This holistic view is fundamentally different to the cultural framework on which we base our actions. Therefore, these aspects present in both nature and others could be an interesting counter-narrative to the liquid culture that repulses many aspects of a complete human reality. Finding these (cultural) best practices from around the world could inspire us to reimagine and transform the relationship between business owner and banker into one that serves both parties.

4.5 To conclude

With informants repeatedly pointing towards a lack of knowledge on the workings of the financial and legal system, I analyse how money is intertwined with the relationship between bank and business owner. The abstract and complex nature of interest rate derivatives creates a black box consisting of hidden and opaque systems. This hinders the understanding of the social realities of business owners, bankers and other parties involved.

Within the social world of finance reigns the liquid culture of banks. Within this culture, ties that constrain a free flow of assets, are loosened. This creates a man-made social reality with little ties to the rest of the realities. Therefore, for actors within the world of finance it is difficult to think about alternatives to this world. Thinking the unthought becomes problematic due to its homogenous system based upon itself. I propose to look beyond the world of finance and engage with otherness from traditional societies and nature. This way we could reimagine the idea of money and all its forms, into a structure more intuitive and comprehensive.

Chapter 5: Conclusion

My aim was to get a better understanding of the relationship between bankers and business owners. I did this by researching the aftermath of cases where interest rate derivative products were sold to SMEs. The complications that arise between these parties shows how the global financial world interacts with local social realities. I dove into these realities by speaking with business owners, (former) bankers, financial experts and regulators. Moreover, I got to experience the interaction between bank and business owner first-hand during a court case and was present during a meeting with a financial expert working for business owners and the NVB.

To conclude my thesis, I will provide a short outline of the subjects I discussed. I will then synthesise the observations, reasonings and deductions I made throughout my thesis to answer the main research question.

The first chapter aims to describe the relationship between bank and business owner through the story of business owner Linda Verhoeven. When interest rate derivatives, which were sold by the bank, began to decrease in value business owners saw their debt increase by huge amounts. This happened to more than 19,000 Dutch businesses. By telling the story of business owner Linda Verhoeven I aim to shed light on the aftermath of this development, one that is deeply emotional. When the business owners' debt increases they are placed under the 'Special management' of the bank, which is ostensibly stated to help the entrepreneur towards a financially healthy future. However, the experiences of the business owners I spoke to, tell a different story. Banks use coercive force, scare tactics and ruthless control over the lives of business owners. This is not perceived as helpful, but as intrusive and immoral.

Often business owners were given only partial information about the financial product, highlighting the positive sides and conveniently neglecting the negative sides. When the circumstances under which interest rate derivatives were sold to business owners became public, the practices of the 'Special management' became illegitimate. Many business owners, like Verhoeven, were not aware of the full workings of the product when buying it. The stories often tell about the misleading practices of the bank. However, on the other side, the business owners made the mistake buying something they did not fully understand. Besides the anger that business owners say they feel towards their bank, business owners recognise their own responsibility. Some report shame and guilt, which manifests in not wanting to talk to people about their situation and not being able to sleep.

In chapter two I aim to describe the cultural identity of the bank, its incentives as an organisation and the individual experiences of bankers. I do this through the story of former bank account manager Ad Broere who coined the term ‘bank interests’, the interests that go above and beyond any other interests a bank may have. Being situated in a highly competitive global market, bankers did not stay away from telling me that the bank as an organisation is driven by profit. Furthermore, I argue that in the current competitive global market favours short-term profit incentives. These interests influence the culture of the bank organisation in a profound way, creating an organisation with a steep hierarchical ladder, top-down decision-making and governance through rules and procedures. Something business owners experienced during the aftermath of the interest rate derivative sales, having to comply with the procedures, standards and rules the bankers impose on them.

Another cultural characteristic of the bank regards the agreeable nature of bankers. When I would ask a (former) banker how they got into banking, answers would amount to ‘by chance’, indicating that the decision to get into banking was not a deliberate and conscious decision to get into banking. Rather a way to provide for the means necessary to earn a livelihood. New bank recruits then getting enculturated in the particular organisational culture of a bank means that bankers have little agency to contest its opinions, actions and values.

The third chapter addresses the key symbol that lies in-between business owner and banker, money. It describes how money has become more and more abstract over history losing its ties with gold, becoming digitalised and part of the fractional reserve banking system where debt is unequivocally tied to the supply of money. The derivative form of money sees further steps of abstraction, which comes into use as derivatives effectively loosen assets from its anchor points. Without ties or roots that ground financial products, derivatives can be manipulated by the will of the banker and used for its quest for growth and profit maximisation.

Furthermore, this abstraction entails an increasingly complex financial system where the complexity of its financial tools creates barriers to comprehension. Black boxes are created where processes, ones that we have seen with the interest rate dilemma, define people’s lives. This makes things difficult to understand, creates uncontrollable processes and allows us to close our eyes to things that may be immoral. The complexity effectively inhibits proper discussion and contestation of ideas.

The loosening of the ties that bind money to something concrete is a feature of liquid culture that has influenced the financial world greatly. With money becoming more and more an agreement that rests solely on itself, a new manmade abstract world of finance is created. It

is an artificial reality that can build upon itself. People who are part of its culture become submerged in a financially abstract world where the realities that offer alternative modes of being remain distant.

Having restated the core of my ethnographic research, I will aim to provide an answer to the main question of my thesis, which is: *What does the relationship between bankers and business owners in the interest rate derivative cases, tell us about the societal impact of our financial constructs?* Banks are driven by short-term profit incentives that conflict with the business owner's interests. The situation surrounding interest rate derivatives shows that banks prioritise quick income over long-term customer satisfaction. The aftermath of the interest rate derivative sales caused a corrosive and socially unsustainable relationship between bankers and business owners. Furthermore, with financial products such as derivatives becoming increasingly complex and abstract a black box is created. This hinders the sensemaking and understanding of the actors involved in the aftermath. Henceforth I will provide a synthesised view on my findings and provide arguments which together contribute to answering the main question.

Disorientation through personal and impersonal duality

Engaging with former bankers, business owners, financial experts and regulators I witnessed a troublesome relationship between bank and business owner. The relationship between the two, based upon a market exchange in loans and interest rate derivatives, means that there is an interplay between impersonal and personal interaction. The business owner desires to secure their livelihood as well as pursue their personal dreams and aspirations. The bank is the provider of the means, help and advice and thus involved in the personal hopes, thoughts and desires of the business owner. The business owner regularly engages with their account manager in, what is perceived as, a cooperative effort. Additional to the personal aspects of the relationship between bank and business owner comes the business and transactive nature of the relationship, based upon calculations of profit, quantification of promises and legal bindings. Money, as a general measure of value, enables to put the desires of both parties in numbers. This creates a relationship that is calculable, formalised and instantiated from the full human experience.

The duality in the relationship between bank and business owner, comes from a relationship that is both grounded in the personal and impersonal. Informants perceived confusion due to this layered relationship. This state of the relationship made it possible that banks can entice business owners to buy a product they, and possibly very few people, do not understand. Interest rate derivatives proved to be a product not born out of intrinsic need of the

business owner, but a need created by banks. This layered relationship between business owner and bank laid grounds for the confusion surrounding the social position of both banker and business owner.

The banking culture, both rigid and loose

To maximise profit-making efficiency banks, govern their organisation through formalisation, standardisation and top-down hierarchy. Business owners perceive this as alienating when they are measured according to protocols and when they are being offered standard products that the bank aims to sell to a multitude of customers. Furthermore, when a business owner experiences a problem they are redirected towards a different bank department where owners feel approached as merely a 'case'. Weighing procedures through checklists, predefined measures and distant questions on injustices that might have occurred. Business owners feel alienated as their struggle lies with the injustices that they perceive and with which the bank does not seem to deal with in the way that they should.

The selling of interest rate derivatives to SMEs is an example of how principles of liquid culture, as described by anthropologist Karen Ho, manifest in the Dutch banking sector. This culture is aligned with the competitive market of the banking sector, where the quest for increasing short-term shareholder value dominates other interests. Banks have an organisational culture where everything within the company is liquified, subtracted from its anchoring. The direct manifestation of this culture regarding the bank employees, means job insecurity through reorganisations put in place by bank leadership, which entails a sudden increase in stock value. However, the liquid culture goes beyond that. Assets, financial instruments and products are extracted from its groundings, so they become a flexible utility that can be employed in a way that will benefit the organisation in their pursuit for shareholder value. The derivative financial product is such a product that can derive its monetary value from anything, making it liquid in its form through flexibility and its unanchored nature. The bank adapted and standardised these products to the market of SMEs, which signifies the flexibility of the product. Therefore, the liquid culture in banks has caused a divide in the relationship between bank and customer.

Inequality through complexity

Be it consciously or unconsciously, banks benefit from the complex nature of the interest rate derivatives that have been sold to business owners. The banks were able to frame the product in such a way to entice the business owner who fostered no intrinsic need for a derivative. The complexity of the financial product, the interest rate derivative, as well as the complexity of the legislation behind it, gives a position of power to banks. When the selling of interest rate

derivatives backfired, banks had a strong position during court cases and by influencing public discourse. The bank’s judicial position is strong due to the agreement, in form of the financial contract, that is made official by the signature of the business owner. Using the complex nature of finance banks can influence the public through a careful selection of information they will disclose or not. The black box of an abstract financial system obstructed the business owner’s understanding of interest rate derivatives. The development of finance, moving further and further into abstraction, inhibits our ability to understand the processes that define our lives.

Chapter 6: Discussion

Based upon my conclusive arguments I will provide further discussion on doing relational ethnographic research on market relations. Furthermore, I would like to take the chance to provide further thoughts on the theoretical implications of my ethnographic research, provide suggestions for further research on relationships between banks and business owners and posit my thought about the future of banks.

Adding money to liquid culture

With Karen Ho establishing the concept of liquid culture through research at Wall Street banks, she shows how assets within the bank are liquified in order to be mobilized to serve short-term shareholder interests. Money as an idea has taken various forms over time, with liquid culture driving it towards increasing levels of abstraction. With money's form shifting towards an idea instead of a material, it is a manifestation of a liquid culture within finance. With Ho focussing on the human assets being liquidised, I explore the concept of money and its liquid manifestations. My arguments are the first steps towards an integration of money into the concept of liquid culture and show how money changes forms to suit the needs of people.

Future ethnographic engagement

The selling of interest rate derivatives took place several years ago. Thus, I was not able to be present when interest rate derivatives were sold. Although the sensitivity of market relations may prohibit first-hand research on the interactions between bank and business owner during the sales of financial products, it would add anthropological depth to our current understanding of the relation between a global financial institution and the local business owner if anthropologists were present during the sales of financial products. This participant observation would add depth to the actual interaction and how business owner and banker exchange stories. In turn this is a new way for anthropologists to research the places where the global meets the local.

Future and banks

With my conclusive findings where the business owner and bank have a dysfunctional relationship, I am curious about the future. The relationship between banks and business owners, as I observed, is not built on mutual trust. Naturally, frustrations towards each other rise when a situation like the one I described arises. However, when parties start pointing fingers at each other and blaming each other, this creates cracks in the relationship. The financial system and the way business owners get the financial means relies heavily on the role of a bank. Today there are still very few viable alternatives to fund the ventures of most business owners.

However, the future of banks is uncertain as public opinion sways towards seeing them as a liability for the future (Caldararo 2013, 130). With decentralized alternative financial systems on the rise, such as cryptocurrencies, banks may lose their dominant position within finance. Looking at the future Caldararo calls the modern-day bank "… not too big to fail, but to survive." (Caldararo 2013, 130). With banks driving away business owners through their actions, banks will have to change their strategy to keep business owners as their customer. The quest for short-term profit creates unsustainable social relationships. Within the liquid culture that banks have created, banks would need to shift their culture towards a long-term orientation. If banks want to keep their head above water, they need to value the business owner and create long lasting relationships with them.

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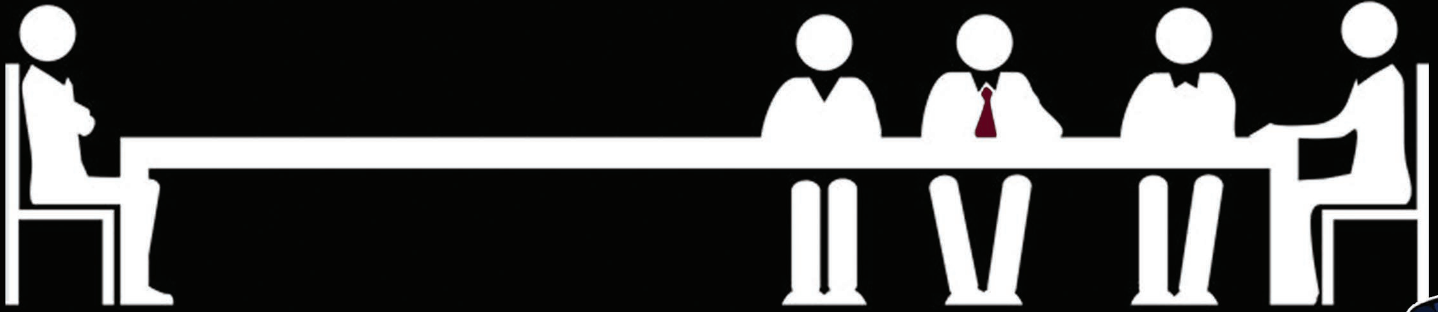

Abstract

In the late 2000's banks sold interest rate derivatives to Small and Medium-sized Enterprises (SMEs), which decreased their value after the financial crisis of 2007/2008. This increased the debts of more than 19,000 business owners, rendering business owners in financial trouble or bankruptcy. This thesis seeks to understand the unfolding relationship between bank and business owner through these events. Ethnographic research methods are used to gain understanding of how banks, operating from a global financial system, impact the social realities of local businesses. The social conflict and its dynamics are understood through in-depth interviews with (former) bankers, business owners and financial experts and participative observation during a court case and an interest group meeting. To interpret the gathered information, theories of Giddens structuration theory, Ho's concept of liquid culture and Appadurai's analysis of derivatives are used. This thesis shows that when interests conflict, the banks short-term profit interests will dominate over the long-term benefits of a stable customer relation. Furthermore, it describes the road of money, towards deepening levels of abstraction and the creation of a black box that hinders the understanding of all the actors involved. With finance becoming a world that revolves around itself, I argue to look for alternatives that ground finance in realities that are easier to comprehend.

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