Ethics of Banking

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Let me start by expressing my gratitude to the Bangladesh Institute of Bank Management (BIBM), and in particular to Dr. Atiur Rahman, Governor of Bangladesh Bank and Dr. Toufic Ahmad Choudhury, Director General of BIBM for the honour they have accorded to me in asking me to deliver the 14th Nurul Matin Memorial Lecture. The late Nurul Matin, who passed away prematurely at the age of fifty, was, by all the accounts I have come across, a man of singular integrity and sagacity, and as Deputy Governor of the newly-founded Bangladesh Bank, had played a very significant role in institutionalizing the rules and procedures that ensured the performance of ethical banking. It is fitting that a lecture instituted in his memory has been delivered by a former President and Chief Justices of Bangladesh, by former top advisors to the government of Bangladesh and by governors of the central bank of Bangladesh and India, one of whom I had the privilege of teaching, and by several professional economists, - several of whom, Professors Nurul Islam, Rehman Sobhan, Sanat Kumar Saha and Wahiduddin Mahmud- I have had the good fortune to know as friends. I am very happy that Professor Nurul Islam, who is also an alumnus of my college, Presidency College, Calcutta, has agreed to grace the occasion as chief guest.

Ethical Banking in an Agrarian Economy

Banking is as ancient as exchange in money. In South Asia, the Jataka stories often have shresthis as the main protagonists. Many of them were enormously rich, but were prepared to spend their wealth for what they considered to be a just cause. For example, shresthi Anathapindaka bought the garden (Jetavana) for Gautama Buddha to stay in at the price of covering the whole garden with gold.

Nearer our own times, there were rich bankers in Mughal India, and the post-Mughal regimes between Bahadur Shah, and 1799, when the British defeated and killed Tipu Sultan, their most redoubtable enemy. Even after that many Indian bankers continued to operate in the Native States under British paramountcy.

For purposes of analysis, it may be useful to classify these Indian bankers into three groups: at the apex were those who served the state at the highest level such as Fateh Chand Jagat Seth, whose family had become bankers to the Nawabs of Bengal. At the next level, there were bankers who lent money to the Nawab or subahdars, and zamindars who claimed lordship of a region, and were held liable for payment of rent to the Nawab or Subahdar. At the third level, there were moneylenders who lent money to the actual cultivators of land. Before the British made various kinds of rights attached to land (such as the right to pay land revenue to the government treasury) fully marketable[1], the bankers or money-lenders and the zamindars or cultivators observed a code of mutual forbearance. Only at the last extremity would a zamindari change hands because of inability to service a debt, and the indebted cultivators rarely lost their land (Bagchi 2002, pp. 25-26). There was also custom in many parts of India that the lender could never claim more than twice the principal (the principle of damdupat: see, for example, Deccan riots Commission 1876). Some of these pre-British customs continued to be observed in many Native States such as Baroda).

When the British administration allowed moneylenders to charge any rate of interest and to foreclose and take over the peasants' land, peasants suffered dispossession of their land all over British

[1] For the distinction between commoditizing various bundles of rights to land and rendering an exclusive right to land as an asset, see Bagchi 2010, 'Introduction' and Bagchi 2010[1992]. Except for plantation land mainly granted to Europeans, the British never granted land under fee simple rights to ordinary peasant-cultivated land.

India, or became serfs on their own land under the terms of usufructuary mortgage. Peasants were mostly illiterate, and when jurisdiction over tenure was taken over by courts in towns and cities at a long distance from the villages of peasants and judges decided only on the rules of evidence applicable to well-informed and reasonably independent litigants, there was mayhem of the little rights peasants possessed. The British authorities were then forced to introduce specific legislation in the Bombay Presidency and Punjab in order to limit the alienation of land by agriculturalists to non-agriculturalists. This mitigated the problem in those provinces but did not by any means eliminate it. First, wily moneylenders could evade the provisions by using benami transactions or keeping two kinds of documents, one for showing to the officials and the other recording the real transactions. Peasants were rarely in a position to challenge the latter set of papers[2] . Moreover, many rich peasants themselves emerged as moneylenders and actual cultivators continued to join the ranks of dispossessed labourers.

The problem of peasant indebtedness and eventual dispossession was particularly acute in areas under zamindari or talukdari areas such as the Bengal Presidency and the United Provinces of Agra and Oudh. In these provinces, a long process of farming out the different levels of rights to pay rent had led to an incredible process of sub-infeudation, and most of the actual cultivators were reduced to a status of tenants with no legal rights to the land they cultivated. In Bengal, a series of amendments to the Permanent Settlement Act of 1793 had given some tenurial rights to so-called occupancy tenants, but they constituted a small fraction of the actual cultivators. The depression in agricultural prices starting in 1926

[2] For vivid accounts of the arbitrariness of judgments in British colonial courts, see the autobiography of Charuchandra Datta, who joined the Indian Civil Service in 1899, and retired as a District Judge in the Bombay Presidency: Datta (1966).

and going on through the 1930s rendered a precarious situation utterly untenable (Sanyal 2004).

> The Bengal Agricultural Debtors (BAD) Act of 1935 was passed because in the words of a confidential official record, 'The agriculturists of Bengal, particularly of its fertile and previously most fertile districts, have become involved in debt far beyond their power to repay, and unless a remedy is provided, the consequences may be disastrous to the province' (Ahsan 2002, p. 176).

Under the provisions of this Act, Debt Settlement Boards were set up at the district and Union Board levels, with powers to bring debtors and creditors together. The Act was sought to be implemented with seriousness after A. K. M. Fazlul Huq of Krishak Praja Party became Prime Minister of Bengal in 1937, with the support of Muslim League. However, the performance of these boards was disappointing:

> 'Till 1943, out of the total applications submitted to the boards for settlement, only 31 per cent were settled either partially or wholly, 29 per cent were pending, and 40 per cent were transferred and dismissed' (Ahsan 2002, p.177).

There were several problems thwarting the work of the debt settlement boards. First, as the Collector of Mymensingh observed:

> Very few cultivators have substantial 'surplus' income. Even if the crops are slightly below normal or some of the earning members fall ill during part of the year, the so-called surplus is turned into deficit. Hence most creditors have little faith that debtors would be able to pay according to the terms of the award {of the debt settlement boards} (Ibid).

Second, there were many bureaucratic hurdles facing both the debtors and creditors for them to be able to come to a settlement both parties could honour. The penal provisions of the Bengal

Moneylenders Act passed in 1940 did not help matters. Third, the Bengal cabinet came to be dominated by the Muslim League, especially after Khwaja Nazimuddin of the Dhaka Nawab family became Prime Minister of Bengal. The leadership of the Muslim League was dominated by big landholders who had very little interest in the debt settlement process.

In some districts, such as Jhansi in the United Provinces of Agra and Oudh, cultivators or pastoralists, trusting to the pre-British relationship between owners of land and moneylenders, the potential borrowers actually invited 'accommodating' moneylenders to settle in their locality (Kolff 1979, p.61). However, those accommodating lenders allowed the borrowers to run up large amounts of debt, and under British Indian law, foreclosed on their loans and took over the borrowers' land. Thus in the Mah Tahsil of District Jhansi, between 1865 and 1890, the biggest losses of land were incurred by Thakurs, Ahirs and Kurmis- zamindars, pastoralists and cultivators - and the biggest gains were by Marwaris, Baniyas and Kayasths (Kolff 1979, p. 58, Table II).

From these two case studies of two major regions of South Asia, the lesson can be drawn that if peasants remain illiterate and poor because of exploitation, lack of incentives and access to essential inputs such as irrigation and fertilizers, and if creditors can dispossess them because of indebtedness, then no amount of tinkering with terms of lending can provide a framework for ethical banking.

Even in colonial India, if the cultivators or big farmers who directly supervised the agricultural operations, had the right to pay their land tax directly to the government treasury – a right they enjoyed under the raiytwari system - they enjoyed better access to cheap credit. Thus in the Madras Presidency, in many districts of today's Tamil Nadu and Karnataka, nidhis and chi funds sprang up. Moneylenders and cultivators had shares in these funds, and could

access credit from these funds (Ray 2004). Some of these funds later mutated into joint-stock companies. Moreover, these regions witnessed the emergence of two large banks, namely, Canara Bank and Syndicate Bank, whose primary business was lending to landowners and cultivators, long before the nationalization of fourteen commercial banks in 1969 made formal credit available to such borrowers.

Ethical Banking and Relationship Banking for the Non-Agricultural Sector

As I had written some time back (Bagchi 1997b, p.42) : 'Economists have recently theorized about a fact which bankers had recognized all along, viz., that credit markets are necessarily imperfect and that rate discrimination and credit rationing are universal phenomena. A third dimension of imperfection in credit markets concerns the length of time for which particular creditors are prepared to extend loans to particular borrowers'.

Bankers and the central bank overseeing their activities have to exercise discretion and judgment along all these different dimensions. Hence the question of morality becomes pre-eminent in banking and finance.

The question of morality starts with gathering the information itself. In many cases, the lenders simply refuse to lend money on the basis of what has been styled as 'probabilistic discrimination' that is, depending on stereotype of a whole group without closely inquiring about the actual creditworthiness of the potential borrower. One way of minimizing the impact of asymmetric information is to establish a close relationship between the creditor and the borrower. Banking under such a close relationship has been characterized as 'relationship banking', 'i.e., a setting involving repeated, bilateral relations between banks and borrowers' (Besanko and Thakor 2004, p. 1).

Relationship banking, mainly within extended kinship networks had, for example, promoted the development of industries, mining and power generation in New England of the USA in the nineteenth century (Lamoreaux 1986).

The financing of small and medium-sized enterprises (SMEs), which in the beginning of the twenty-first century still accounted for more than 90 percent of all firms, and employed about two-thirds of the workforce, in industrialized countries (Baas and Schrooten 2005) took place under relationship banking. In Germany, the financing of Mittelstand enterprises was performed by usual commercial banks as well as local or regional level regional savings banks. The German SMEs are supported by explicit official policies and the decentralized structure of the German banks 'containing a large number of regional and local banking institutions like sparkassen (mutual saving banks) and volksbanken (cooperative banks) whose key asset is being near local {Mittelstand}..clients. This closeness helps in better assessing {Mittelstand} loan risks and conserving long-term business relations' (Paust 2014).

I would like to devote some attention to the German Mittelstand or SMEs, because Germany remains the largest economy of Europe, and belying the predictions of the naysayers, the German SMEs have prospered under globalization. In Germany, from the nineteenth century, large, vertically integrated ('autarkic') firms grew up in steel industry and then in the automobile industry, e-electrical equipment industry. But under a system of decentralization of some legal and financial powers to the constituent Länder or regional governments, craft-based SMEs also grew up side by side with the giant firms even under the Wilhelmine Reich and the Weimar Republic (Herrigel 1996, chapter 3). This order resurfaced after 1945, and made for much of the dynamism of German growth in the 1950s and 1960s.

It appeared at first that the SMEs would not survive under neoliberal globalization. But in fact, the gradual erosion of Fordist ('autarkic') industrial organization and outsourcing of parts of automobiles and machines of all kinds, the German SMEs acquired a new lease of life (Herrigel 1996, chapter 5; Paust 2014).

One of the principal foundations of the dynamism of the SMEs is the educational system of Germany which provides compulsory, state funded education up to the age of fourteen and partially state-funded, compulsory higher secondary education up to the age of 18 or 19. The majority of students undergo vocational education from the age of fifteen, and most of them then join one skilled trade or another, although even among the vocational students some may go on to university education in a subject of their choice (Hippach-Schneider, Krause and Woll 2007; Lohmar and Eckhardt 2013). Many of the skilled workers join family-owned SMEs, which nurture long-term relations with their workers and support social responsibility projects for their locality (Paust 2014). This type of firm organization directly contradicts the Anglo-Saxon, neoliberal model of 'shareholder-is-king' firm structure and behavior (Bagchi 1997a). The work of the SMEs is technologically upgraded through contracts with the Fraunhofer Society, Germany's organization for applied research, which had a budget of 1.66 billion Euros in 2013, co-operating with about 6000 enterprises and generating around 400 registered patents every year (Holz 2013). In several of the industrialized East Asian economies, especially in the People's Republic of China (PRC) and Taiwan, SMEs play a very important role in generating income, employment and exports. In the PRC, for example, 'SMEs account for 60% of GDP and 82% of the workforce' (Paust 2014). In Taiwan, even though that small country boasts of some of the giant world leaders in semiconductor manufacture, in 2009, 'there were 1.2 million SMEs in Taiwan, accounting for 98 percent of all businesses. They generated 31 percent of the nation's total sales

and 17 percent of its exports' (Wang 2010). As in Germany, the success of the SMEs, as indeed of today's giants, has been due to the strong government support in terms of allocation of funds, protection of the domestic space of operations and state-supported R&D in targeted sectors (UN ESCAP 2014, chapter 5).

The success stories of Germany and Taiwan also illustrate the point that banks and finance companies should after all be there to service the real economy rather than a deregulated finance industry, which sucks up funds to create more riches for the barons of finance and render the whole economic system unstable. It is not an accident that the licensing of deregulated finance has led to a severe decline in most finance-led economies in the world, including the USA (Orhangazi 2008) and the UK, and such emerging economies as Argentina, Mexico and Turkey (Demir 2006).

Deregulated Finance and Withdrawal of State from Necessary Public Activities Make Inclusionary Relationship Banking Unsustainable

Relationship banking becomes unsustainable when essentially deregulated banks or finance companies are allowed to enter the business of financing, and firms are persuaded to access a deregulated capital market (Besanko and Thakor 2004). An enormous slag-heap of literature was fabricated primarily by neoclassical economists to support four fallacious ideas, The first fallacious idea was that shareholders are the only stake-holders that matter in a firm, and neither the employees or suppliers of firms count. The second fallacious idea was that at any given moment, the stock market reveals the fundamental value of a firm. The third fallacy –closely related to the second- was that the stock market works efficiently, in the sense that nobody can make a profit by trading in the stock market.

The final fallacious idea was that you can predict the prices of derivatives on the basis of fundamentals revealed by the stock market (Bagchi 1997a). It was for producing a theory of the last fallacy that the Swedish Bank prize for economics (mistakenly called the Nobel Prize for economics) was awarded to Robert Merton and Myron Scholes in 1997 (for a survey of the multiple inefficiencies snagging the stock market, see Shleifer 2000). Merton and Scholes were major shareholders and members of the board of directors of Long-Term Capital Management L.P. (LTCM). The firm's highly leveraged master hedge fund, Long-Term Capital Portfolio L.P., collapsed in late 1998, barely a year after Merton and Scholes had received their Swedish Bank Prize, with an exposure of more than $100 billion. Under the leadership of the US Federal Reserve Bank, an agreement was hammered out on September 23, 1998 among 16 financial institutions, which included Bankers Trust, Barclays, Bear Stearns, Chase Manhattan Bank, Credit Agricole, Credit Suisse First Boston, Deutsche Bank, Goldman Sachs, JP Morgan, Lehman Brothers, Merrill Lynch, Morgan Stanley, Paribas, Salomon Smith Barney, Societe Generale, and UBS of Switzerland, for a $3.6 billion recapitalization (bailout) (Greenspan 2007, pp. 193-5).

The collapse of Long-Term Management stopped the use of the Black-Merton-Scholes formula for options pricing, but the elaboration of ever more derivatives such as collateralized (CDOs) and putting many of the banks' and hedge fund debts in off-balance sheet accounts did not cease. Many of the finance companies that had been involved in bailing out LTCM, such as Bear Stearns, Lehman Brothers and Merrill Lynch went bankrupt in the financial crisis of 2008. From the 1980s, the finance industry in the USA boomed. The profitability of the financial sector far exceeded that of the real commodity sector, and the pay of the average official soared to 181 per cent of that in the rest of the economy. Under the US system the finance industry could and did spend hundreds of

millions of dollars in lobbying in White House and Capitol Hill and campaign funding for politicians who became naturally beholden to them. As the scope for funding real investment became restricted even as the finance industry soared, banks, conglomerate finance corporations and mortgage lenders began financing projects of lower and lower quality, always hoping somebody else would pick up the tab. The most notorious of these were the so-called ninja loans, that is, loans made to people who had no income, no jobs and no assets. A financial oligarchy had taken over the USA, and its condition was described by Simon Johnson, a former chief economist of the USA, as being no better than that of a 'banana republic', of Central America, where, for a long time, the US corporation, the United Fruit Company chose the government (generally a pliable dictator) (Johnson 2009).

The power of the financial oligarchy in the USA became further evident when the government spent tens of billions of dollars bailing out banks, home mortgage institutions, and AIG, by far the biggest insurance company of the world without making the CEOs of those companies disgorge any of their ill-gotten gains, and without punishing them for culpable negligence, and in some cases, outright fraud (Rakoff 2014). As US Judge Jade Rakoff of the Southern District of New York pointed out, in the few cases in which a civil suit was brought against hedge funds, the prosecution was badly prepared and no criminal cases were launched by the Justice Department of the USA against any of them. It prosecuted Bernard Madoff for a $50 billion plus Ponzi scheme, in which the investors included some of the biggest names in the finance industry, and Rajat Gupta and Rajaratnam for insider trading, but not a single one of the CEOs of the companies that were primarily responsible for causing the financial crisis[3].

[3] A discussion of the causes of the global financial crisis, really starting from 2007,and the public cost of the bailout operations carried out by the US and EU governments is beyond the scope of this paper. For analyses of these in the context of the UK, see FSA 2009 and Herbst 2013.

Relationship Banking and Ethnicity in Colonial India

In colonial India, there was widespread prevalence of relationship banking. Kinship networks provided intricate webs of trust. Some of the Indian bankers had branches or agencies spread all across India,- from Peshawar to Guwahati - long before the three government-backed Presidency Banks opened branches in their respective areas of functioning. The power of those networks of Indian bankers became evident in the 1890s, when the stoppage of free coinage of silver in official mints (the period of the so-called 'limping standard') caused extreme stringency of credit. J.H. Sleigh, the secretary of the Bank of Bombay, in a letter to the Times of India (Sleigh 1998) claimed that the shroffs who financed the whole of the internal trade of Bombay, generally stopped raising their rates above 8 per cent even when the rates of the three government-supported Presidency Banks went up far above that, accommodate one another's bills at even lower rates (see also Jain 1929, pp. 95-6 and p.103; the latter gives a table of sahukari rates from 1867 to 1927, and they display a remarkable degree of stability with a tendency to decline over time, often below the bank rates charged by the Presidency Banks.)

But, of course, while these network relations benefited the favoured clients of the shroffs, they were also discriminatory towards others. The Marwari shroffs in Burrabazar lent money to the traders of their own community often at rates at which they borrowed from the Bank of Bengal, but charged much higher rates of interest for loans to Bengali merchants and Nakuda merchants, that is, non-Bengali Muslim merchants trading with West Asia (Bagchi 1997b, pp. 48-9). The Bank of Bengal added to the discrimination by dealing directly only with the Marwari shroffs, whom they regarded as more creditworthy than the Bengali and Nakuda merchants (Bagchi 1997b, pp. 48-9). Discrimination in rates or access went to an extreme level when it concerned the lowest rungs

of society. For example, in the districts with large tribal populations, kali paraj, or dark-complexioned castes, had to pay higher rates of interest than ujli paraj, or fair-complexioned castes (Ibid, p. 43).

Modern limited-liability joint-stock banking was introduced in South Asia by the colonial rulers, when they gave parliamentary charters to the state-backed Bank of Bengal (in 1809), Bank of Bombay (in 1840) and Bank of Madras (in 1843). Ethnic discrimination prevailed in the management of these banks and in the treatment meted out to Indian as against European borrowers. Except in the case of the Bank of Bombay, none of these banks had Indian directors between 1810 and the end of World War I. Except again in the case of Bombay, no Indian borrowers enjoyed cash credit facilities at these banks. They had always to deposit government bonds or other approved securities in order to obtain a loan. No Indian was put in charge of a branch until the onset of World War I (Bagchi 1987, chapters 3, 5, 7, 9, 12, 15; Bagchi 1997b, chapters 6, 12 and 15).

Developmental Banking, Another Form of Relationship Banking

Among the developing countries or regions, the newly industrialized states of East Asia – currently led by the People's Republic of China (PRC)- the second largest economy of the world – and followed by the Republic of Korea (ROK) or South Korea, Taiwan and Singapore[4] largely escaped the kind of implosion of the economy that was caused by the deregulated behavior of the finance companies and the stock market. These states followed the Japanese strategy in at least three directions. First, even when,

[4] Although geographically, Singapore is part of South-East Asia, it belongs to the East Asian cluster in respect of official economic strategies (UN ESCAP 2014, chapters 4, 5 and 7)

as in the case of South Korea and Taiwan (and Japan after World War II), they were greatly dependent on the aid of the USA and other Western powers, they followed an autonomous economic policy. In the case of the PRC, of course, except for a very brief period in the beginning of the 1980s, no foreign aid was received from the Western powers. One key instrument for attaining and sustaining policy autonomy was the promotion of exports, even while protecting the domestic market for infant industries, some of which later emerged as world leaders in export markets. Second, the government played a dominating role in the allocation of foreign exchange and other critical resources needed for economic development. Third, banks were the major sources of financing long-term economic development, so that the East Asian trajectory of development is sometimes described as bank-led growth. Currently, Viet Nam is successfully pursuing similar strategies for economic and human development.

There are many lessons other developing countries can learn from East Asian success stories. Confining myself to the banking sector, I would argue that developing countries should abandon the model of so-called universal banking, which many of them were persuaded or coerced into adopting by the pressure of domestic and foreign finance companies. There should be a development banking sector supported and carefully monitored by the government, which should insulate it from political finagling by imposing strict penalties for transgression.Banks should not be allowed to play the stock market. The equivalent of a Glass-Steagall Act should be passed by every country seeking to get on to a path of sustained economic and human development[5]. The conscious promotion of SMEs by providing them with

[5] East Asian industrializers also devoted more resources to education and health care than most other developing countries, so that they attained universal or near-universal literacy, graduating to high levels of entry into tertiary education, high longevity and low rates of fertility.

adequate banking facilities should be part of this strategy. As Paust (2014) has emphasised, in developing countries outside East Asia, ‘the SME sector is much less developed and less active abroad, and is severely hampered by red tape, faulty macroeconomic policies, and a lack of financing, among others’.

To reiterate a point made above, the years from 2007 have seen the bankruptcy of some of the leading banks and finance companies following the diktats of deregulated finance in the whole world. In the UK, for example, Northern Rock, Royal Bank of Scotland and Lloyds Bank all became bankrupt, and were bailed out by the British Treasury at a huge cost to the public.

Ethical banking requires both the ability of bankers to exercise discretion on the one hand and constraints on the freedom of bankers to acquire assets and enter into risky businesses, such as investment in the casino of stock markets on the other hand. These constraints have to be imposed by properly constituted public authorities, especially the central bank and the ministry of finance, working under the oversight of a democratically elected government. Ethical banking requires decentralized relationship banking and strict separation of banks and stock markets, on the lines of the Glass-Steagall Act or the system prevailing in South Asia before 1947.

Conclusion: Ethics of Banking to be Embedded in a System of Morality and Justice

Amartya Sen, a prominent economist-philosopher of our time, has written extensively on ethics and economics. He has made a key distinction between deontological reasoning and consequentialist justifications for evaluating actions in the light of morality and justice (see, for example, Sen 2009, chapters 7-10). The simplest examples of the former are Immanuel Kant’s ‘categorical imperative’ (you have to do it because it is your duty) or Krishna’s

argument in the Indian epic, *Mahabharata*, that Arjun must engage the Kauravas in battle, because as a Kshatriya prince it was his duty to wrest the kingdom from the Kauravas, even if that battle led to the death of near and dear ones. The consequentialist would weigh the consequences of the performance of the unquestioned duty before coming to the conclusion about the correct action. Sen has on the whole weighed in favour of the consequentialist position.

I also believe that consequentialism is the better barque to trust in the turbulent sea of human affairs. I want, however, to rejig that position a little. First, I want to ask where the duty of the deontologists comes from. One of the most famous of such commandments had been penned by Lord Tennyson in his 'Charge of the Light Brigade':

> Someone had blundered.
> Theirs not to make reply,
> Theirs not to reason why,
> Theirs but to do and die.

Those six hundred of the Light Brigade had been pushed into a valley of death by a blundering commander in a purely imperialist war on foreign soil. Why was it their duty to die there?

I would submit that a commandment penned by Charles, Baron de Montesquieu (2012) in his Pensee no. 741 could be an approximate guide for evaluating the ethics of banking as indeed of many other kinds of action:

> If I knew something that was useful to me and harmful to my family, I would banish it from my mind. If I knew something useful to my family but not to my Country, I would seek to forget it. If I knew something useful to my Country and harmful to Europe, or else useful to Europe and harmful to the human race, I would regard it as a crime.

If we heed this advice, then we can see that it is not enough to carry out variants of 'poverty reduction strategy programmes' (PRSPs), while unquestioningly implementing macroeconomic and financial policies that only increase inequality and exclusion of the vast majority of the people. Neoclassical economics, which has become the standard mental apparatus of policy-advisors in most countries blinds a practitioner to structural causality. It also blinds her to structural morality, if I may coin a phrase. The latter requires a policy-maker to recognize that there are structural features of the society she is dealing with that no number of PRSP interventions in micro-settings can redress. The world has become full of unconscious Eichmanns, the Nazi executioner (see in this connection, Lilla 2013), who think that they are only doing their duty, without realizing that they are thereby causing mass hunger and sowing seeds of terrorist wars of one kind or another. Ethical banking, following in the footsteps of Nurul Matin, will require the conscious flouting of Eichmannish norms of behavior. All countries need a regulatory framework, overseen by a substantive and procedural democratic system (and not one that money can buy), so that every ethical banker is not forced to become a martyr.

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