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The Social Orientations and Ideologies of UK Finance Employees at the Onset of the Global Financial Crisis

Andreas Cebulla

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Abstract

Debates about the Global Financial Crisis (GFC) of 2007 have pointed at *institutional* and *individual-behavioural* factors as its causes. Using the British Household Panel Survey, this paper highlights marked differences in perceptions of societal and economic fairness among financial services employees in investment or management positions in the UK, and the general working population at the brink of the GFC. Panel data analysis suggests that financial services and occupations did not necessarily attract employees with pro-market attitudes, but that employment in these institutions and occupations made it more likely that employees came to display these perceptions, contributing to the construction of a distinct attitudinal profile of finance employees.

Keywords: financial crisis, financial services, United Kingdom, ideology, investment banking, panel analysis

Introduction

The Global Financial Crisis (GFC) that started in 2007 triggered a very public soul-searching in Europe and the USA as to who may need to bear responsibility for the manifest economic and fiscal calamities brought about by a collapsing and bailed-out banking sector. Early culprits included the banking institutions themselves, including mainstream banks and their highly paid chief executives, but also hedge funds and other shadow banking operators. For some, the GFC came about as a result of lack of oversight or due diligence, loose monetary policy especially in the United States, and irresponsible lending practices (Cassidy 2009). For others, the root cause was the financialisation of economies that helped to spread these lending practices worldwide (Freeman 2010); unsustainable and irresponsible credit-seeking by, and lending to, increasingly indebted private consumers (Hamnett 2009); the erosion of faith in debt-driven national economies (Reinhart and Rogoff 2009); excessive incentives and the rent-seeking behaviour of financial elites (Hodgson et al. 2010); or indeed flawed economic theories (UN 2009). This list is not exhaustive, and none of the above interpretations are necessarily mutually exclusive. As of late, however, the public discourse has settled for blaming the public and, notably, the public sector of countries affected by the GFC, many of which had only just rescued the private banking sector from collapse (Blyth 2014).

The puzzle remains as to whether institutions or individuals and their reckless behaviour brought down the global economy so soon after the last crisis of the 'dot-com' industry in 2001. Typically, explorations of the role of individuals in economic crises have focussed on top-level 'wheelers-and-dealers', on the power and influence of the super-rich (Armstrong 2010), those who mistakenly thought they were geniuses (Lowenstein 2002) or the 'smartest guys in the room' (McLean & Elkind 2004) that could set no foot wrong; and on the 'rogue' elements in the sector.

This paper widens the net to take a look at the attitudes towards social and economic issues prevalent among 'average' bankers and financial executives in the UK in the years

leading up to the GFC. Drawing on longitudinal survey data, the paper analyses social preferences and perceptions of people working in financial occupations in the UK and compares them to other populations. Collectively, those working in financial occupations will be referred to as 'financial services employees', or FSE.

Specifically, the paper examines, first, the extent to which social perceptions and attitudes among the UK's FSE at the start of the crisis differed from those of the British population at large. The analysis seeks to shed a little more light on the validity of 'blaming' excessive risk-taking and 'greed' for the GFC: were FSE's attitudes towards risk, money, or economic principles really that different from the rest of the working population to warrant singling out the former as possible perpetrators of crisis-inducing behaviour?

Second, the study exploits the availability of longitudinal survey data to test the association between social perceptions on the one hand, and job duration, that is, extended exposure to working in financial services occupations, on the other. Specifically, this will allow some judgement as to whether working in finance amplifies social orientations in ways not observed among other populations. The analysis will also ask whether financial services occupations attract employees with social orientation that are already different from those of the working population at large. In other words, if we were to find distinct or distinctly prominent social attitudes among FSE, is that because people with such social perceptions self-select into financial services occupations or because working in these occupations leads FSE to acquire such perceptions?

Empirically confirming one or both effects has significant implications for our understanding and ability of explain the GFC in terms of individualised-behavioural or structural, institutional models. In the following section, key features of these two models are reviewed, before turning to presenting, first, the data and, then, the analysis and its findings.

Overview of the literature

This section is divided into two parts, commencing with a review of the literature purporting ‘individualistic’ interpretations of the crisis, which is followed by a review of the corporate-institutional interpretations of the origins of the GFC.

Individual-behavioural theories of the crisis in the making

Individual-behavioural theories of the crisis have a strong focus on the actions of investment bankers and working in top-level managerial positions in financial institutions. References are made to the evident misdemeanour of so-called rogue traders, including, to name but a few, Société Generale’s Jerome Kerviel who was convicted of defrauding his employer and clients in the run up to the GFC, and UBS’s Kweku Adoboli whose fraudulent trading behaviour was detected in the early years of the GFC.

Whereas these and other rogue traders were largely acting on their own (or teaming up in twos), banking corporations have allowed more systematic and systemic fraudulent manipulations of the financial system to be committed, as in the case affecting the London Interbank Offered Rate (LIBOR). Here bankers and traders of some of the world’s largest financial institutions colluded in rigging interest rates at which the banks would lend to each other, to their collective benefit and that of their derivative traders (Hou & Skeie 2014, H.M. Treasury 2012).

Martin Lewis’s ‘Liar’s Poker’ (1989), ‘The Big Short’ (2010) and ‘Boomerang’ (2011) are awash with examples of reckless and self-centred rent-seeking behaviours in financial investment circles. Similar stories were recounted by Lowenstein (2002) and McLean and Elkind (2004) in their studies of the rises and falls of the hedge fund, Long-Term Capital Management, and the energy giant, Enron in the late 1990s and early 2000s. Case studies like these share one story line, namely the sidelining and derision of risk managers and whistle-blowers whose concerns and words of caution and warning were dismissed and ignored (see

also Godechot 2007). Finance corporations disregard, isolate and boot out those expressing dissenting views. Thus Rajan (2010: 141) cites investment bankers according to whom management risk managers concerned about highly leveraged lending practices had been “fired long ago”; while Augar (2009: 164) recalls the ‘iron grip’ of Adam Applegarth, then Chief Executive of Northern Rock. Applegarth’s expansionist business strategy brought about the death of a bank that only a few years earlier had been a sedate building society owned by its customers and members. Martin (2013) portrays another former bank Chief Executive Officer, Fred Goodwin, as someone whose attention to corporate representation and commercial imperial ambitions overstretched and eventually brought on the collapse of the Royal Bank of Scotland (RBS). Goodwin’s behaviour has been likened to a psychopathic disorder not atypical for senior corporate management (Kets de Vries 2012). In influential positions, people with these traits become ‘seductive operational bullies’ (or ‘SOB’, *ibid.*) who instil fear and quell any prospect of an alternative business or behavioural model.

There is little systematic knowledge of what attracts such risk-takers or corporate bullies into financial services occupations. Much research on job choices has focussed on comparisons of private and public sector preferences and selections (e.g. Smith & Cowley 2011, Buelens & Van den Broeck 2007). Factors such as pay, responsibility, self-development, job autonomy are known to affect these choices. A survey of finance professionals in the City of London, however, found that salary and bonuses were the main attractions for professionals working in the financial sector (St Paul’s Institute 2011).

Not all authors who examined the roots of the GFC hold the view that uncontrolled, irresponsible individual behaviour was to blame for the crisis. Rajan (2010: 121) notes that business people’s ‘willingness to exploit any advantages that will help them make money... stems partly from the nature of competitive banking...and partly from the way banker performance is measured’. Similarly, Tett (2009: x) argues that ‘(t)he story of the great credit boom and bust is not a saga that can be neatly blamed on a few greedy or evil individuals’.

The real issue was 'the finance world's lack of interest in wider social matters' (Tett 2009: 298), its misguided belief in the infallibility of mathematical models (ibid: 299), a lack of top managerial control over traders (ibid: 156) and the disregard that investment traders paid to their management colleagues (ibid: 186) who were ultimately responsible for internal risk management.

Structural explanations

Tett's and Rajan's conclusions are echoed in the international literature on the structural causes of banking crisis. Here low interest rates and libertarian economic policy (Augar 2009, Cooper 2008) fuelled speculators' 'irrational exuberance' (Shiller 2000). They created artificial consumer markets (Demyanyk & Van Hemert 2008) facilitated by a patchy understanding of new financial products (Barnett-Hall 2009). In Britain, efforts by the Labour Party to attract the traditionally conservative corporate world of finance into its political realm saw it promote consumerism and public service marketization (Lee 2007, Taylor-Gooby 2008), and soft-touch, arms-length regulation of the financial sector. The socially destructive side effects of growing inequality were often ignored or tolerated (Picketty 2013, Wilkinson & Pickett 2009), while public opinion increasingly turned away from supporting the redistribution of wealth (Georgiadis & Manning 2007). The 'triumph of the city' (Lee 2007: 88), however, could not prevent the return of economic bust. Danger signs were spotted early, as, for instance, in Munro et al (2005). This study highlighted the risks of subprime lending to housing in the UK. Remarkably, its warnings appear to have been barely noted at the time.

In the United States, subprime mortgaging had been driven by misleading, if not falsified information provided by mortgage sellers to home buyers about asset values (Piskorki et al 2013). These lending practices exposed banks to assets of questionable, indeterminable value, whilst these same banks lacked the assets to balance the risk of financial loss. Credit rating agencies did little to alert banks or the public to the rapidly growing risk of 'progressive illiquidity' of a financial system increasingly reliant on imaginary finance and speculation

(Nesvetailova 2008). That soft-touch regulation played a significant part in allowing this to happen would not have gone unnoticed by the authorities in charge. Already in 2004, research by the UK's Financial Services Authority had found that regulatory requirements affected the amount of capital held by banks and building societies (Alfon et al 2004). As this regulatory influence waned, so did the amount of 'real' money retained by the speculating banks.

Making a connection

Individualist and structural explanations for the crisis are not mutually exclusive and can be used to inform each other. Individual misdemeanour or corporate malfeasance, for instance, are easily condoned when they are alleged to be the result of some inescapable, if inconvenient, competitive or regulatory force. Disregarding rules then becomes institutionally permissible as illustrated in a review of conditions at Barclay's Bank in the wake and aftermath of the Libor scandal (Salz 2013). It found that, after two decades of corporate growth, the bank had 'no common purpose' and no 'shared values' (Salz 2013: 6-7), and demonstrated a lack of corporate leadership. A lack of corporate oversight had allowed investment traders' 'animal instincts' to take charge, encouraged by their generous financial rewards, which 'contributed significantly to a sense among a few that they were somehow unaffected by the ordinary rules' (Salz 2013: 9). With hindsight, the influence of both organisational structure and individual agency in the construction of the banking crisis appeared obvious.

The question of the role of bonus payments in the GFC has recently moved off the political and public agenda, despite evidence that they did much to distort the lending market in the run up to the GFC. Agarwal and Wang (2009), for instance, found that incentive packages increased small business loan approvals by an unnamed major commercial bank by 47 per cent and, tragically, the default rate by 24 per cent. In London's financial district, as already noted, salaries and bonuses were the most important motivation for professionals working in financial services (St Paul's Institute 2011).

Vested interests also shaped the political response to the GFC in the UK as Government commissions charged with reviewing the banking sector in the wake of the crisis were headed by individuals with close connections to the financial sector (CRESC 2009). Independent voices, in particular of those critical of the business and political elite, appeared excluded (Froud et al. 2011). This 'democratic disconnect' (ibid.) may well have served to protect the financial sector, as the thus generated exclusivity by virtue of exclusion perpetuated difference that eventually consolidated the status quo (Khan 2012).

The present study lends some support to the plausibility of this thesis as it highlights a marked dissonance between the social perceptions of those working in managerial or investment positions in the financial services, whose voices have been most clearly heard and listened to before and after the onset of the GFC, compared with those in other occupations and sectors.

Data sources and preparation

The study used data from the British Household Panel Survey (BHPS), a longitudinal survey of households in Britain (and more recently also including Northern Ireland) that commenced in 1991 and continues to the present day with an increased sample and now known as 'Understanding Society'. The BHPS covers about 5,000 households and some 10,000 individuals, recording household characteristics and changes, labour market experiences, a broad range of social and social justice attitudes, including risk perceptions, and voting preferences and behaviours. It also gathers information on occupations, income and earnings, and bonus payments.

The BHPS sample has been updated since its inception to allow for attrition and households entering or leaving the panel. Longitudinal and cross-sectional weights are available to enhance the representativeness of the datasets for the UK population.

In the longitudinal analysis of the BHPS, the study focuses on the period from 2001 to 2008. This was for a number of reasons. First, 2008 was the natural end point for this analysis, as it signalled the final, full-blown arrival of the GFC and the recognition that this crisis required intensive state and banking sector crisis management. Second, 2001 was selected as the start date because by that year, the global economy had begun to cast aside, if not repaired, the damage caused by the previous crisis, namely the bursting of the dotcom bubble in 1999/2000 (e.g. Lowenstein 2004), starting a new economic cycle. Third, the selection needed to ensure appropriate survey questions were available for analysis. Each year, the BHPS includes different sets of attitudinal questions, which were repeated at different intervals, thus allowing the analysis of responses over time. Finally, the selection of the observation period was informed by the need to ensure a sufficiently large sample after allowing for attrition and non-responses. Small case numbers inevitably affected the detail of the analyses. However, validation checks, including the use of different analysis methods and changes to the samples that were studied, produce very similar results, confirming the robustness of the main findings that are reported here.

Case identification

The BHPS data include variables identifying current and past occupations of panel members. For the present study, we used the UK Standard Occupational Classification (SOC) 1990 for data pertaining to the year 2001 to identify those working in the financial services sector. For later years, the UK SOC 2000 was used. Every effort was made to match sub-major and major level categories, drawing on ONS (2000) and ONS (2006).

The case identification distinguished between two main groups of FSE, who, for ease and brevity of description will be referred to as investment and management (or managerial) employees. Investment FSE were drawn from the SOC unit group of Business and Finance Associate Professionals (353) and included brokers (SOC 2000 minor group: 3532), insurance underwriters (3533), finance and investment analysts/advisers (3534), and business and

related associate professionals n.e.c. (3539). Managerial FSE were identified in the two SOC 2000 unit group of functional manager (113) and financial institutions and office managers (115). From the former occupation, we included financial managers and chartered secretaries (1131); from the latter, financial institution managers (1151).

Bonus payment

Since 1997 (wave G), the BHPS has recorded whether, in the previous 12 months, respondents had 'received any bonuses such as a Christmas or quarterly bonus, profit-related pay or profit sharing bonus, or an occasional commission'. Those who had were then asked about the total amount of bonus payments received during that period, and whether the amount was before or after tax. Each year, around 90 per cent of those who had indicated they had received a bonus payment also provided the amount. In combination with earnings data also reported in the BHPS, this information was used to estimate the share of bonus payments as of total earnings. All monetary values used in this study were inflated to 2008 GB Pounds using CPI data.

Attitudes and Opinions

The BHPS contains a range of social and political attitude questions that survey respondents have been asked in different waves. Most of these questions have been included in several, but not consecutive waves of the BHPS. The sole notable exception are questions on voting behaviour, which had been included in all waves.

The present study focussed on a sub-set of recently asked questions that allowed testing for socio-cultural differences between FSE and other sections of the working population. It analysed responses to questions eliciting attitudes towards money and risk taking; about social trust and social justice. The measures pertaining to social justice allowed respondents to express agreement or disagreement with a range of statements often

fundamental to underlying social and economic beliefs, including in the efficiency and equitable nature of the market economy, and its effectiveness in sharing outputs.

The exact wording of the questions and associated answer options was as follows:

The importance of money

- 'I'm going to read you a list of things that different people value. For each one I'd like you to tell me on a scale from 1 to 10 how important each one is to you, where '1' equals 'Not important at all' and '10' equals 'Very important'.'
 - 'Having a lot of money'

Risk taking

- 'Are you generally a person who is fully prepared to take risks or do you try to avoid taking risks?'

Response options on scale 1-10, where

- 1 = 'Unwilling to take risks'
- 10='Fully prepared to take risks'

Trust

- 'Generally speaking, would you say that most people can be trusted, or that you can't be too careful in dealing with people?'
 - 'Most people can be trusted'
 - 'Can't be too careful '
 - 'Depends'

Social Justice and Preferences

- 'People have different views about society. I'm going to read out some things people have said about the UK today and I'd like you to tell me which answer off the card comes closest to how you feel about each statement.'

Response options on scale 1-5, where

- 1 = 'Strongly agree' and

- 5 = 'Strongly disagree'

The statements were:

- 'Ordinary people get their fair share of the nation's wealth'
- 'There is one law for the rich and one for the poor'
- 'Private enterprise is the best way to solve the UK's economic problems'
- 'Major public services and industries ought to be in state ownership'
- 'It is the government's responsibility to provide a job for everyone who wants one'
- 'Strong trade unions are needed to protect the working conditions and wages of employees'

The questions on money and trust were covered in the BHPS in 1998, 2003 and 2008, whereas those on social justice attitudes and preferences were asked in 2000, 2004 and in 2007. The risk question, on the other hand, had been included in the BHPS for the first time in 2008.

Profiling financial services employees

This section starts with a description of the socio-demographic characteristics of those working in higher level financial occupations in the UK based on BHPS data for 2008. This is followed by summaries of the findings from statistical tests of differences in social attitudes among employees in financial service occupations and others in the workforce. Using multivariate regression, the analyses controlled for a range of socio-demographic and other characteristics that are explained below.

All analyses focussed on individuals in employment at the expense of those temporarily or permanently outside the labour market. This helped the study to focus on

examining the influence of continuous employment with an organisation on socio-cultural values. Unless otherwise indicated, only statistically significant results are reported.

Socio-Demographics

For the analysis of socio-demographics, we used cross-sectional data from the 2008 BHPS. In that year, investment and management FSE each accounted for about 1.2 per cent of employees in employment in that year.¹ In both FSE groups only about half were employed in the financial services sector (45 per cent), while almost a quarter was working in production (23 per cent), one fifth in private services other than the financial sector (19 per cent) and the remainder was employed in public services (13 per cent).

Employees in financial services occupations differed from others in employment on a range of characteristics. Although there were no statistically significant differences in the mean ages, FSE tended to concentrate in the two lower age categories of those aged 26-35 or aged 36-45 (Table 1). FSE were more likely to be married and to have at least undergraduate qualifications. On average, they had spent fewer years (3.9) with their current employer than others had (5). They were more likely to have received a bonus payment in the previous 12 months, and these bonus payments tended to be significantly higher in that year and but also when summed over the previous five years (2003-2008). FSE had received bonus payments more often during that period than others had. FSE were also more likely to be living in London and England's South-East.

<Table 1 about here>

Within the group of FSE, that is, comparing investment and management FSE, there were fewer statistically significant socio-demographic differences, although small case numbers may have disguised some of them. The main difference between the two groups was the lower average age of investment FSE (38 years, compared to 43 years) who included a

greater proportion of employees under the age of 26. Investment FSE were also less likely to be married.

Although investment FSE had, on average, received bonus payments less frequently than managerial FSE, this barely dented their bonus income. When compared with their management peers, investment FSE had received higher bonus payment over the last five years as well as the previous year alone. The top bonus payment received by an investment FSE amounted to £125,000; that of a management FSE came to an average of £107,500. The highest single bonus payment in 2008 amounting to £200,000, however, had been paid to someone not in a financial services occupation.

These statistics again demonstrate this study's concern not with top bonus earners in financial occupations whose reported bonus income can equate to several multiples of the amounts reported here. Instead, the study is concerned with the occupational average. The probability that the elite of very high-bonus earning FSE would be captured in a social survey is very small indeed. This said, the study identified a distinct group of high earners in finance whose income would have ranked them in the top percentile of all earners in the UK at the time.

Attitudes and Opinions

Whilst FSE were, on average, higher earners, their attitudes to money or risk were not dissimilar to those of the rest of the working population. For instance, 27 per cent of FSE and 31 per cent of others in employment and interviewed in 2008 considered it important to have money (measured as rated 8 or higher on the 10-point scale) (Table 2). Similarly, 20 per cent of FSE and 18 per cent of others in employment considered themselves willing to take risks (rated 8 or higher). In neither case were the nominal differences statistically significant.

<Table 2 about here>

In contrast, FSE were more likely than others to express trust.² More than half of FSE thought that 'most people can be trusted', compared with only a third of other people in employment. Further differences emerged with respect to socio-political and socio-economic orientations recorded by the BHPS in 2007. These suggested a greater prevalence of support for private capital over public intervention among FSE when compared with other employees.

Thus, FSE were more likely than others to agree that 'ordinary people get a fair share of the nation's wealth' (27 per cent versus 14 per cent) and that 'private enterprise is the best way to solve the UK's economic problems' (40 per cent; 18 per cent). FSE thus indicated a stronger than otherwise typical belief in the fairness of the current economic system and a preference for market-based approach to economic development. The latter was also reflected in FSE's lower propensity to support the view that public services should be state owned (30 per cent; 34 per cent), or that government had an obligation to provide jobs (24 per cent; 38 per cent). Conversely, FSE were less likely to believe that 'there was one law for the rich, and one for the poor' (37 per cent; 58 per cent), suggesting a stronger belief in the fairness of the current system of legal and social justice.

Differences were also again apparent between the opinions of investment and management FSE. Here, management FSE more frequently expressed non-interventionist, pro-market values than their investment FSE peers. They were more likely to agree with the statement that private enterprise would solve the UK's economic problem (53 per cent versus 28 per cent), but less convinced that the government should be expected to provide jobs for people 15 per cent; 33 per cent). They were also less likely to believe that trade unions protected working conditions and wages (45 per cent; 63 per cent).

Cross-sectional logistic regression

These relationships or lack thereof also held after controlling for socio-demographic and employment characteristics. Cross-sectional logistical regression analyses, which, for space reasons, cannot be described in detail here, highlighted sex and age as key factors associated

with most attitudes and perceptions examined here. Furthermore, whereas no independent statistical relationships were found between FSE status and the importance attached to money or to self-perceptions as risk takers, trust and social justice perceptions remained independently associated with FSE status.

Social attitudes, self-selection and employment

Having established that FSE expressed social values and preferences that were different from those of other employees, we are left with exploring how these orientations relate to employment in financial services occupations or the financial services sector. The remainder of the paper examines whether people with the given attitudes were particularly likely to be working and especially likely to choose to be working in these occupations or sector, or whether working in these occupations or sector made it more likely that someone adopted these values and perceptions over time. To do so, a series of panel data analyses were conducted, focussing on FSE's assessment of economic fairness and of private enterprise as those most distinctively shared by FSE. Panel analysis made it possible to study the dynamics of these social attitudes and, in this instance, employment in financial services occupations since the previous economic and stock market crisis of the early 2000s.

The analysis combined data for the years 2001, 2004 and 2007, generating over 15,000 observations or data points available for analysis, including 337 pertaining to FSE. Multivariate random-effects probit models were run to estimate the effects of FSE status, employment and socio-demographic factors on respondents' perceptions of economic fairness and their attitudes to private enterprise. Four new variables were added to the variable set used in the initial analyses in order to refine the estimations. These new variables captured the influence of earnings risk, earlier social attitudes, sectoral variations and newly entering a financial services occupation.

Bringing risk back in

'Risk' was brought back in to control for variations in the 'attraction' that working in a specific occupation may present. Research by Bonin et al. (2007) and Pollmann (2011) had shown an association between attitudes to risk and occupational choices. The authors found that people with more positive attitudes towards risk taking tended to select into occupations with higher levels of wage dispersion, which they interpreted as an indication of a greater readiness to work in a volatile and potentially insecure job environment. Introducing earnings risk thus helped to control for self-selection into these types of occupations, which may have been driven by a tolerance, acceptance or indeed expectation of risk – and commensurate reward. Above all, the earnings dispersion variable helped to control for differences between occupations, which, on the basis of the above literature, should exert a matching pull on employment seekers with similar risk orientations and associated expectation from their job.

Following the above authors, a basic Mincer regression³ (Mincer 1974) of the occupation-specific variance of earnings residuals was estimated in order to capture this volatility and, if indirectly, occupational risk. The resulting data were coded into a variable that identified occupations whose variance of the earnings residual was below, within or above one standard deviation of the mean of all occupations' residuals. It turned out that the earnings dispersion in the financial services occupations typically ranged within one standard deviation of the residual means, whilst about 10 per cent of employees had selected into occupations one standard deviation below the residual mean and a further 10 per cent had selected into occupations one standard deviation above the residual mean.

Time lag

A lag of the outcome variable of interest was introduced to account for the fact that past status is known to shape current status in most observed social phenomena. Introducing lagged variable meant that analyses drew other explanatory variable from just the last two

occasions that they were observed. This resulted in a shrinking of the total number of data points to just under 13,000.

Highlighting the sector

Whilst our analyses so far focussed on FSE, as already noted, only about half of them were employed in the financial services sector. As this study was also and specifically concerned with identifying social orientations in the UK banking sector, a further variable was added to mark respondents' industrial sector of employment.

Identifying FSE entrants

A further new variable identified individuals in the samples who were working in a financial services occupation in one of the survey waves when the relevant attitude questions were asked (e.g. 2007), but not in any of the previous ones when these questions had also been asked (i.e. 2004 and 2001). This variable therefore identified those who entered a financial occupation during the period covered by the analysis.

The time lag and sector variables, and the new entrant identifier were added sequentially to the probit model, which initially only included socio-demographic variables and the Mincer occupational risk indicator.

Findings I – economic fairness

The analysis of the economic fairness statement that 'ordinary people get their fair share of the nation's wealth' confirmed a strong association with sex, age and years spent with current employer (Table III, Model 1). All else equal, women were less likely than men to agree with that statement. Agreement with the statement also decreased with age, but increased with the time spent working with the same employer. In addition, variations in earnings dispersal were associated with perceptions of economic fairness. In comparison to people in occupations with below average wage dispersion, those in occupations with above average wage dispersion were more likely to agree with the statement. After taken these factors into

account, employees not in financial services occupations were less likely than FSE to agree that the current system of wealth sharing was fair. Put another way, people in financial services occupations were more likely to believe that economic wealth was shared fairly in UK society.

<Table 3 about here>

The introduction of the lagged outcome variable and the industrial sector rendered the earnings dispersal indicator statistically non-significant, whilst reducing the level of significance of the occupation variable (Model 2). As expected, the lagged outcome variable was strongly positively associated with the current outcome variable, whilst the industrial sector variables revealed a greater propensity of those working in the financial sector to share a belief in the fairness of the UK socio-economic system.

As shown in Model 3 of Table 3, there was no difference with respect to perceptions of fairness between recent entrants to financial services occupations and other employees. Selection into financial services occupations therefore appeared not to be affected by a priori beliefs in the fairness of the UK's economic systems. Instead, socio-demographic characteristics and years spent with the same employer predominantly shaped and consolidated this fairness perception, although additional, if weaker, unexplained independent occupational and sectoral effects remained.

Findings II – attitudes to private enterprise

Similar associations involving socio-demographic, occupational and sectoral indicators were found for attitudes towards private enterprise. Model 1 again highlighted statistically significant differences with respect to sex and age, but lesser associations with years spent with employer (Table 4). Women and those with more years with the same employer were less likely to identify with the statement, whereas identification increased, if slowly, with age.

<Table 4 about here>

The receipt of a bonus payment in the previous 12 months was also inversely associated with agreement with the enterprise statement, as was wage dispersion although the statistical significance of that association was just outside the 5 per cent level. After taking these variables into account, management FSE were more and other employees less likely to agree with the enterprise statement than investment FSE were.

The addition of the lagged outcome variable and the industry sector variable in Model 2 lessened the statistical strength of the observed difference between occupations, whilst rendering bonus payment and wage dispersal non-significant. As before, the lagged outcomes variable was strongly positively associated with the current outcome variable. Employees in private and financial services were more likely than others to express confidence in private enterprise's capability to solve the UK's economic problems.

Adding the new entrant indicator into Model 3 had few effects on already observed statistical relationships, although it accentuated the prevalence of pro-enterprise attitudes among FSE compared with employees in other occupations. The statistical coefficient pertaining to the new entrant variable itself indicated a fairly strong, but inverse relationship between pro-enterprise perceptions and the entry into a financial services occupation. In other words, selection into financial services occupations was not driven by pro-enterprise preferences; if anything, the reverse was true. Instead, the articulation of these preferences was primarily a reflection of employment in the private sector and, in particular, as managerial FSE. Pro-enterprise perceptions did not become more prevalent with time spent with the same employer.

Discussion and conclusions

To summarise, the analyses confirmed that, in the run-up to the GFC, employees in financial services occupations and those working in the financial services sector were more inclined to express attitudes indicative of supporting current features of socio-economic justice and dominant economic principles in the UK than employees in other occupations. This was particularly apparent with respect to support for the economic fairness thesis. The association between FSE status and social attitudes was weaker with respect to orientations towards private enterprise, where the attitudinal divide cut across employment in production and public administration, on the one hand, and employment in services, including financial services, on the other hand.

Sharing these social attitudes was not necessarily associated with selection into financial occupations or the finance sector. The most consistent evidence pointed at employment duration or exposure to financial occupations and, more broadly, private services affecting employees' perceptions of economic fairness and the capacity of private enterprise to redress economic problems. In other words, institutionally-induced acculturation may be a more appropriate explanation for the prevalence among FSE of the perceptions examined here than pre-existing social preferences, in particular with respect to perceptions of economic fairness.

The evidence thus lends strongest support to the institutional-structural rather than the individual-behaviourist model of analysis. This conclusion complements the findings of Cohn, Fehr and Marechal's (2014) laboratory experiment, which showed that only when reminded of their professional status did bankers display dishonest behaviours in the game-based experiment, whereas employees from other industries did not.

Social attitudes and the GFC: a case of tunnel vision?

When Toynbee and Walker (2008) spoke with London law partners and merchant bankers about the economics of effort and reward in high paying professions, they encountered blinkered perceptions of socio-economic privilege, a strong individualistic and conservative attitudes, and strongly articulated status defence. Their findings were published soon after Orton (2006) had reported on the reluctance of wealthy individuals interviewed in the English Midlands to embrace active (local) citizenship as a practice fostering reciprocity and social cohesion, and Cowling and Harding's (2007) survey-based study that had found high income earners most inclined to accept social inequality. More recently, studies in psychology have found further evidence of a generic relationship between social class and (a lack of) generosity (Piff et al. 2010) and (a propensity to display un-) ethical behaviour (Piff et al. 2012). This evidence strongly points towards perceptual and behavioural class divides that, among those most privileged, undermine access to critical reflexivity that would have been required for a person to recognise their potential or actual role in the construction of the GFC.

In a similar vein, the present study has demonstrated that management FSE were particularly likely to express pro-enterprise attitudes, especially if they worked in the financial services sector. The importance of this finding is hard to underestimate given the role of management FSE in the GFC as the key decision-takers in corporate leadership positions. Investment FSE may have driven profit, in the process bypassing the business's risk managers (Godechot 2007, Ho 2009), but the buck of due diligence and corporate strategy typically stops with those in managerial positions. The current analysis will not have picked up the views of the very top-level managers, but its findings hint at an 'organic' presence of orientations across FSE occupations, cultivated in and permeating the finance sector that would have propelled managers towards seeking crisis solutions within – and not: challenging - the status quo.

This permeation of pro-market orientations in finance has implications for UK public policy because of the way in which politics has handled the financial sector and the crisis. The point to stress is the politically significant role that the financial sector played in UK politics and its elevated (some would say: inflated) status in the economy. Its status as the UK's principal global industry, promoted by the state, protected from the state's intervention and largely left to its own devices, meant it remained an autonomy unrivalled in the British economy (see the chapter on the City of London Corporation in Shaxson 2011).

Tying public policy to vested interests and ideologies bears risks. The St Paul's Institute (2011) study cited earlier described how financial services professionals often lacked historical memory: most were not aware of earlier recessions in the UK in the 1980s and early 1990s. Some even lacked specialist knowledge: one in five finance professionals incorrectly believed that the UK was in recession in 2007. A lack of historical memory leaves one prone to ignoring or denying the need for reform, while a gap in basic professional expertise is hardly encouraging.

What to do?

Financial systems allowed to roam free in capitalism distort realities to suit their own agendas and prosperity. They "overvalue opportunities and underestimate risks in an effort to cope with the need to fulfil the expectation upon them" (Tuckett 2009: 3). To do so, finance relies on often inadequate mathematical (computer) models (Barnett-Hart 2009) and introvert evaluation cultures (Mackenzie 2011), whilst banking institutions construct environments to accelerate trading, grow profit, and make markets (MacKenzie, Muniesa & Siu 2008) on the pretence of knowing what cannot be known (Power 2004; cited in Pryke 2010).

Financialisation and its tools, and the rewarding of high-leverage risk taking (Lapavitsas 2011, Bebchuk & Sparmann 2009) have created dependencies, which make reform built on a voluntary (moral) readjustment of the sector seem unlikely and insufficient (Graafland & van de Ven 2011). The complexities of the foundations, causes and drivers of the

GFC have been perplexing, but they also offer anchors for inducing change. The argument made here is that reform must start with the organisation; the evidence locates the 'problem' within the institutional structures embedded in mainstream financial and economic markets (not discounting Kets de Vries's [2012: 8] 'SOB').

Changing structures and the actions they promote or facilitate provides formidable challenges. The data have shown that private enterprise creates its own allegiance: those who work in the private sector support private sector solutions. Here, the banking sector resembles any other private sector, although management FSE are additionally prone to expressing pro-enterprise views. With respect to economic fairness, the financial sector stands out on its own in supporting (its perception of) the status quo. Devising a strategy that might help to change these attitudes and actions that may result from them is beyond the scope of this paper. Some seemingly 'obvious' and frequently proposed solutions, such as capping bonuses, may not work: the present analysis revealed little direct association between being paid bonuses and socio-political attitudes, although indirect effects, for instance via bonus-induced longer job tenure, cannot be ruled out.

While the scope for changing the social and political attitudes and corresponding actions that corporate banking appears to inculcate requires further study, resources ought also to be invested in containing the damaging influence of financial markets on society. This means, implementing some of the long-debated structural reforms that address the markets' exclusivist operational principles and corporate identities, working at various fronts.

In order to begin to dismantle the disproportionate influence of financial markets and their failures, bank activities would need to be isolated and refocussed. Banking, as has repeatedly been said, may again need to be 'boring', - or 'narrow' (Kay 2009). Splitting investment from retail bank may be one first step. However, banks ought also to be reformed internally, with backroom staff and human resource departments being given greater control

and supervisory responsibility to ensure accountability at all levels of the business. Reform needs to redress the influence of both investment and management FSE.

The question of the political influence of finance also needs to be addressed. Rebalancing economies from 'socially useless' (Turner 2009) to production that is socially useful is one critical component of this process, which may need to be done with banks in the role of supportive lenders, not speculating investors.

Notes

¹ CRESC (2009) estimated that about 6.5 per cent of the UK workforce was employed in finance, including jobs in consultancy, accounting and law associated with the financial sector. Two per cent of investment FSE were self-employed. There were no self-employed management FSE in the sample.

² Trust is typical for many investing in shares and can, for this reason, be expected to be a shared characteristic of investment FSE (Guiso, Sapienza and Zingales 2007)

³ To do so, we regressed the log of respondents' income on the square and the cube of their time spent with their employers, their highest level of educational qualification, and a dummy for 2-digit occupation.

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Table 1. Socio-Demographic Characteristics of Financial Service Employees (FSE) and Other Workers (in %, unless otherwise indicated)

		Investment FSE	Management FSE	Statistical difference	Any FSE	other, no FSE	Statistical difference
		A	B	A vs B	C	D	C vs D
Location	London & SE England	33.0	32.1		32.6	24.9	**
Age	Mean age	37.6	42.7		40.1	41.5	
	under 26	11.6	15.2		5.9	14.6	***
	26-35	34.7	57.9	**	25.1	18.7	***
Marital status	Married	49.7	76.5	***	62.9	54.4	***
	Never married	38.9	22.2	**	30.7	32.8	
Years with employer	Less than 5	69.3	65.9		67.6	62.0	
	Mean years	3.4	4.4		3.9	5.3	
Highest qualification	Postgraduate degree	6.2	13.9		10.1	3.7	***
	First degree	31.0	22.3		26.6	17.4	***
Received bonus in last 12 months		46.0	71.1	**	58.3	27.0	***
Number of waves received bonus payment	Mean	5.5	9.0		7.2	3.4	
Gross bonus before tax	Mean £	3831.4	8238.9		5998.3	847.9	
Gross bonus as % of usual monthly gross pay	Mean %	12.3	14.1		13.4	9.5	
Total gross bonus before tax 2003-2008	Mean £	14240.4	47832.4		30754.9	3673.8	
Gross bonus, net difference 2003 and 2008	Mean £	12853.2	4330.5		6640.7	1483.0	
N		85	70		155	7020	

Legend: *p<.1; **p<.05;***p<.01

Table 2. Attitudes and Opinions of Financial Service Employees (FSE) and Other Workers

		Investment FSE	Management FSE	Statistical difference	other, no FSE	Investment FSE	Statistical difference
2008 (wave R)		A	B	A vs B	C	D	C vs D
Importance of money (1-10)	Mean	6.5	6.5		6.6	6.6	
	Important (8-10)	29.9	23.7		26.8	30.5	
Generally takes risks (1-10)	Mean	4.9	5.1		5.0	5.3	
	Risk taking (8-10)	23.0	17.2		20.2	18.4	
Trust (1-3)	Mean	1.9	1.6		1.8	2.2	
	Most people can be trusted	42.4	60.4	***	51.5	33.2	***
	Depends	23.2	14.9		19.0	17.4	
	Can't be too careful	34.4	24.7		29.5	49.4	***
N		49	45		94	3729	
2007 (Wave Q)							
Ordinary people share nations wealth (1-5)	Agree (1-2)	24.7	28.9		26.7	13.7	***
	Mean	3.4	3.2		3.3	3.5	
Private enterprise solves economic problems (1-5)	Agree (1-2)	27.8	53.2	**	40.1	17.5	***
	Mean	3.0	2.5		2.8	3.1	
One law for rich and one for poor	Agree (1-2)	39.0	34.5		36.8	58.3	***
	Mean	2.9	3.1		3.0	2.5	
Public services ought to be state owned	Agree (1-2)	31.3	28.5		30.0	34.1	
	Mean	3.1	3.4		3.2	2.9	
N		53	44		97	3838	

Legend: *p<.1; **p<.05;***p<.01

Table 3. Multivariate analysis results of agreement with statement 'Ordinary people get their fair share of the nation's wealth'

	Model 1			Model 2			Model 3		
	Coef.	Std.		Coef.	Std.		Coef.	Std.	
Sex (Female)	-0.259	0.042	***	-0.150	0.032	***	-0.150	0.032	***
Location (London & South East)	-0.069	0.058		0.010	0.042		0.010	0.042	
Age	-0.010	0.002	***	-0.008	0.001	***	-0.008	0.001	***
Marital status (Divorced)	-0.129	0.072	*	-0.103	0.056	*	-0.104	0.056	*
Years with employer	0.010	0.003	***	0.008	0.002	***	0.008	0.002	***
Bonus payment in last 12 months (Yes)	0.001	0.039		0.035	0.035		0.035	0.035	
Wage dispersal (at least 1 SD below mean)									
Within 1 SD of mean	0.119	0.063	*	0.066	0.051		0.066	0.051	
more than 1 SD above mean	0.152	0.074	**	0.068	0.060		0.068	0.060	
Occupation (investment FSE)									
Management FSE	-0.283	0.236		-0.122	0.181		-0.122	0.181	
Other employee	-0.456	0.167	***	-0.249	0.133	*	-0.262	0.159	*
Lagged outcome variable (Ordinary)				0.898	0.038	***	0.898	0.038	***
Industrial sector (Production)									
Public admin, education, health				0.028	0.036		0.028	0.036	
Services excl. financial, pub admin etc.				0.026	0.042		0.026	0.042	
Financial services				0.149	0.074	**	0.148	0.074	**
Entrants to FSE							-0.027	0.182	
Constant	-0.497	0.194	***	-0.592	0.153	***	-0.5789	0.1761	***
N	17465			12823			12823		

Legend: *p<.1; **p<.05;***p<.01

Table 4. Multivariate analysis results of agreement with statement 'Private enterprise is the best way to solve the UK's economic problems'

	Model 1			Model 2			Model 3		
	Coef.	Std.		Coef.	Std.		Coef.	Std.	
Sex (Female)	-0.876	0.049	***	-0.437	0.032	***	-0.436	0.032	***
Location (London & South East)	0.060	0.063		-0.022	0.042		-0.022	0.042	
Age	0.031	0.002	***	0.012	0.001	***	0.012	0.001	***
Marital status (Divorced)	-0.117	0.074		-0.068	0.052		-0.068	0.052	
Year with employer	-0.006	0.003	*	-0.002	0.002		-0.002	0.002	
Bonus payment in last 12 months (Yes)	-0.157	0.040	***	-0.097	0.033	***	-0.097	0.033	***
Wage dispersal (at least 1 SD below mean)									
Within 1 SD of mean	0.116	0.062	*	0.076	0.048		0.075	0.048	
more than 1 SD above mean	-0.144	0.077	*	-0.088	0.059		-0.088	0.059	
Occupation (investment FSE)									
Management FSE	0.498	0.240	**	0.305	0.175	*	0.310	0.177	*
Other employee	-0.391	0.177	**	-0.220	0.133	*	-0.401	0.156	***
Lagged outcome variable (Ordinary)				1.168	0.034	***	1.169	0.034	***
Industrial sector (Production)									
Public admin, education, health				-0.004	0.036		-0.005	0.036	
Services excl. financial, pub admin etc.				0.140	0.041	***	0.139	0.041	***
Financial services				0.152	0.074	**	0.139	0.074	**
Entrants to FSE							-0.386	0.178	**
Constant	-1.056	0.207	***	-0.843	0.151	***	-0.662	0.172	***
N	17465			12823			12823		

Legend: *p<.1; **p<.05;***p<.01