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SPEECH BY THE RT HON LORD OWEN CH FRCP

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IN SICKNESS AND IN POWER: HUBRIS SYNDROME AND THE BUSINESS WORLD

Since leaving active international politics in 1995, after struggling to bring peace to the former Yugoslavia, I have spent most of my working time in business[1]. Previously a non executive director on the Board of Coats Viyella plc, an international textile company, I was also Chairman of Yukos International, then a major Russian oil company. I am still a director of the very large international health company, Abbott Laboratories, based in Chicago on whose Board I have sat for over 12 years, and am associated with the same Russian steel company and iron ore mine in which the British company, which I chaired for ten years, Middlesex Holdings plc, was an investor. I was also on the advisory board of Terra Firma Capital Partners for five years. This has all contributed to giving me a fascinating new career.

I have watched as US business adapted to the Enron scandal and introduced the new regulatory procedures in the Sarbanes Oxley legislation. During this time I have become well aware that disorders of the brain and of the personality are just as liable to break out among business leaders as they are among heads of government. And just as the effects of it can prove deeply

[1] Current business interests include Chairman, Europe Steel; non-executive Director of Abbott Laboratories Inc, and consultant to Gallagher Holdings. Previously a member of the Advisory Board of Terra Firma Capital Partners, Chairman of Global Natural Energy, Chairman of Yukos International and a Director of Coats Viyella plc

damaging to good government and public welfare, so too it can have devastating consequences for companies and for the wider economy. I believe that for all the money and time business spends on risk management, building complex models and using quantitative statistical methods, business needs to devote as much effort to human resources, personality and behavioural assessment.

Stefan Stern in the *Financial Times* of 10 March 2009 in reviewing a lucid and technical analysis of risk management in the Harvard Business Review by Professor Stulz added his own comment, "True understanding of risk also requires a maturity of outlook, an ability to see the big picture, and deep experience. This last is a rare commodity; impossible to fake and acquired only over time." The banking, financial and economic crisis that gripped the world in the autumn of 2007 has been described as a tsunami to create a visual image of devastation and destruction. It is my contention that analyzing the holistic background to that economic tsunami is a responsibility of everyone interested in the proper functioning of the mind, not just the financial and economic regulators.

The first and probably the biggest step in solving any problem is to recognize the nature of the problem. Gillian Tett, the author of *Fool's Gold: How Unrestrained Greed Corrupted a Dream, Shattered Global Markets and Unleashed a Catastrophe*[2] writes, "I am still trying to make sense of the last decade of grotesque financial mistakes. I have found myself drawing on my training as a social anthropologist before I became a journalist…. What social anthropology teaches is that nothing in society ever exists in a vacuum or in isolation….In recent years regulators, bankers, politicians, investors and journalists have all failed to employ truly holistic thought – to our collective cost.

[2] Gillian Tett, *Fool's Gold: How Unrestrained Greed Corrupted a Dream, Shattered Global Markets and Unleashed a Catastrophe* (Little Brown, 2009), pp.298-299.

She goes on to argue in considerable detail and with much insight how bankers have treated their mathematical models as if they were an infallible guide to the future, failing to see that those models were based on a ridiculously limited set of data. A ‘silo’ mentality has come to rule inside banks, leaving different departments competing for resources, with shockingly little wider vision or oversight. The regulators who were supposed to oversee the banks have mirrored that silo pattern too, in their own fragmented practices. Most pernicious of all, financiers have come to regard banking as a silo in its own right, detached from the rest of society.”

This analysis contains a warning that the present banking and business crisis has many factors which have contributed to its emergence and we are unlikely to prevent its recurrence without bringing to bear on its component parts all the insights we can. I was fascinated by an article called “Brain Twister” by Baroness Susan Greenfield[3]. She warns that the human brain is changing rapidly and that while it has always been evolving “this time we are facing the biggest alterations since the demise of our cousins, the Neanderthals, tens of millennia ago”. Her concerns “stem from two givens: the malleability of the human brain, and the conspicuously pervasive and invasive quality of 21st century technology.” She raises anecdotal concerns that a threefold increase in Ritalin prescriptions for children over the past ten years may be linked to spending vastly more time in front of computer screens or game boys. Perhaps the banking analysts who spend their time in front of computer screens developing statistical models are also taking the new cognition enhancing drugs. In an informal survey of its mainly scientific readers, *Nature*, found that they are likely to be amongst the first to use the new category of so-called cognition enhancers. They found that one in five of 1,400 responders were taking stimulants and wake-promoting agents such as

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[3] www.futuremind.ox.ac.u/people/susan-greenfield.html

methylphenidate and modafinil, or beta-blockers for non-medical reasons.[4]

I believe it is possible, as Susan Greenfield suggests, that "continued interaction with a fast-paced, sensory-laden, multimedia environment predisposes a brain to shorter attention spans". Also that the "silo mentality" which Gillian Tett analysed in bankers with their mathematical models becoming ever more detached from society may be linked. Senior bankers are unwilling to admit that they do not understand these models and instead of being sceptical of that which they do not know, they go overboard to embrace the technology and the method vesting far more authority in their predictions than is justified. Many of the people who designed these new financial mechanisms were aware of their vulnerability but they were then taken out of the hands of the originators.

What has interested me in particular, over many years, is when a leader turns from being a rational, thoughtful, even cautious and possibly listening figure, ready at times to consult, apparently keen to weigh up evidence before taking decisions – into someone utterly sure of their own opinion, certain they are right, dismissive of contrary advice and reckless in taking decisions. For as long as people have held power it has been said of such figures that power has gone to their head, that they have become intoxicated by it, that they have lost touch with reality, turned 'mad', simply 'lost it'.

An Acquired Personality Disorder

The response of the medical profession to a syndrome which I called hubris, and first defined in 2006[5], in relation to heads of government, has ranged

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[4] Brendan Maher, "Poll Results: Look Who's Doping", *Nature* (2008), vol. 452, pp.674-5.

[5] David Owen, Hubris and Nemesis in Heads of Government, J R Soc Med 2006, **99**:548-551. David Owen, *The Hubris Syndrome*, (London: Politico's, 2007); David

between scoffing for a few, mild interest amongst many and positive engagement from some. I was invited in 2008 by the editor of *Brain*[6], to write an article developing the idea further and this I have done in collaboration with a distinguished emeritus professor of psychiatry at Duke University in North Carolina, Jonathan Davidson, who himself has published work on mental illness in American presidents.[7]

Unlike most personality disorders, which tend to appear in early adulthood and then persist throughout life, we regard this disorder as one that is 'triggered' – in this case by power – and which then seems often to abate once power is lost.

There are three personality disorders to which it has some affiliation – antisocial personality disorder and histrionic personality disorder, which are universally recognised, and narcissistic personality disorder, which tends to be recognised only in the US.

We have categorised the symptoms which we believe would be indicators of hubris syndrome with those already recognised in these three other personality disorders. We have identified fourteen symptoms, nine of which are shared with one or another of these personality disorders and five of which seem unique to hubris syndrome, in the sense that they do not appear in the list of symptoms of similar recognised personality disorders.

Owen, *In Sickness and In Power: Illness in Heads of Government during the last 100 years* (London: Methuen and Westport CT: Praeger, 2008).

[6] David Owen; Jonathan Davidson. "Hubris syndrome: An acquired personality disorder? A study of US Presidents and UK Prime Ministers over the last 100 years." *Brain* 2009; doi: 10.1093/brain/awp008

[7] Davidson JRT, Connor KM, Swartz M. *Mental Illness in US Presidents between 1776 and 1974, A Review of biographical sources.* J Nervous and Mental Disease 2006; 194: 47–51.

For a diagnosis to be made we argue that two elements should be in play. First, that a context of substantial power is necessary and of power exercised over a varying period of 1 – 9 years: it is that power that triggers the syndrome. And secondly that at least three of the symptoms we have categorised should be manifest, including at least one of which is what we classify as unique to hubris syndrome.

Lists can be tedious, yet it is worth detailing what these fourteen potential symptoms are, not least because I suspect that some of them may well ring bells in others' minds, recalling powerful leaders they have had experience of themselves. Many overlap with well recognized personality disorders.

To those skeptics who argue these symptoms are an occupational hazard of life at the top in business or in politics, I would argue. Firstly, why are many people successful in both business and politics and yet do not display these characteristics? Secondly, why do people acquire them while in the job and do not manifest any symptom early in their career and before they are promoted?

First, a narcissistic propensity to see the world in which the leader operates primarily as an arena in which to exercise power and seek glory.

Second, a predisposition to take actions which seem likely to cast the individual in a good light – ie in order to enhance their image.

Third, a disproportionate concern with image and presentation.

Fourth, a messianic manner of talking about current activities and a tendency to exaltation.

Fifth, an identification with the nation or organisation which the individual leads to the extent that he or she regards his or her outlook and interests as identical with it. (unique to HS)

Sixth, a tendency to speak of themselves in the third person or to use the royal ‘we’ (unique to HS)

Seventh, excessive confidence in their own judgement and contempt for the advice or criticism of others.

Eighth, an exaggerated self-belief, bordering on a sense of omnipotence, in what personally they can achieve.

Ninth, a belief that rather than being accountable to the mundane court of colleagues or public opinion, the court to which they answer is a far grander one -- History or God.

Tenth, an unshakeable belief that in that court they will be vindicated. (unique to HS)

Eleventh, a loss of contact with reality, often associated with progressive isolation.

Twelfth, restlessness, recklessness and impulsiveness (also unique).

Thirteenth, a tendency to allow their ‘broad vision’ about the moral rectitude of a proposed course to obviate the need to consider practicality, cost or outcomes. (unique to HS)

And finally, fourteenth, ‘hubristic incompetence’, that’s to say not the ordinary incompetence where things go wrong because a faulty judgement or a miscalculation has been made, but where the incompetence is due to too much self-confidence that has led the leader not to worry about the nuts and bolts of a decision.

Philip Tetlock, a psychologist, writes in *Expert Political Judgement*[8] that for pundits “The dominant danger remains hubris, the vice of closed-mindedness of dismissing dissonant possibilities too quickly.” In 1984 he started assessing the different view of the pundits about President Reagan’s ‘evil empire’ talk about the Soviet Union. After Reagan left office he reviewed the positions of hawks and doves and found that their predictions had all been wrong and he diagnosed their central error as being the sin of certainty. He then went on to study 82,361 different predictions and found that the best pundits were willing to state their opinions in ‘testable form’ so that they can “continually monitor their forecasting performance” otherwise they become “prisoners of their preconceptions”. Jonah Lehrer in his book *The Decisive Moment*[9] explains Telock’s findings: “the most famous pundits in his study tended to be the least accurate, consistently churning out overblown and overconfident forecasts. Eminence was a handicap”. Lehrer writes in his book of “examples of the true expertise that occurs when experience is internalized by the dopamine system”.

I do not intend to go into the neuroscience while addressing you, my peers, proper neurologists! I have not got sufficient hubris to risk it! But I am convinced, as someone who worked with the late David Marsden on some of his first experiments on dopamine, as well as adrenergic betablockers, over 43 years ago, we will eventually understand the neuropharmacology of hubris and the re-setting of the brain after long exposure to power, making it an acquired syndrome. Lehrer, who is a brilliant synthesizer and simplifier, also assesses the work of Jonathan Cohen, a neuroscientist at Princeton

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8 Philip Tetlock, *Expert Political Judgement*: *How Good is It? How Can We Know?* (Princeton University Press, 2006).

9 Jonah Lehrer, *The Decisive Moment. How the Brain Makes Up Its Mind* (New York: Houghton Mifflin Harcourt and Edinburgh: Canongate 2009) pp.199-201

University who has written about the specific brain regions responsible for the attraction to credit cards and subprime loans[10]. Using an fMRi machine he analysed the response to gift certificates; when the individual contemplated receiving them in the future the rational planning prefrontal cortex was active, when they contemplated receiving them immediately the mid-brain dopamine system and nucleus accumbens area were active. Lehrer concludes that "More emotions meant more impulsivity"…."When self control breaks down, and we opt for rewards we can't afford, its because the rational brain has lost the neural tug of war."

A study on General Motors published in 1991[11] spoke of business leaders who deceive themselves and distance themselves from reality. And it said: 'The Greeks called this hubris and they knew that the gods, whom we might refer to as reality, do not stand for it. They demand humility.'

The issue for those who are interested in human risk management is: how can you identify these people in time to mentor them and constrain any propensity they may have? And how do you get rid of them from their positions as president, chairman or chief executive if there is no chance of constraining their hubris? In my experience the non executive Board members see this as one of their major responsibilities for in many respects only they have both the authority and the knowledge to act. As well summarised by David Brooks in an article[12] in the global New York Times on 20 May 2009, the wise non executives are well aware that research shows that the "CEOs that are most likely to succeed are humble, diffident, relentless and a bit undimensional." The market seems to want a CEO "to be resolute, even at

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[10] McClure, Samuel, David Leibson, George Loewenstein and Jonathan Cohen. "Separate Neural Systems Value Immediate and Delayed Monetary Rewards", *Science* 306, 2004, 503-507.

[11] Howard S Schwartz, 'Narcissism Project and Corporate Decay: The Case of General Motors', *Business Ethics Quarterly* (1991), vol. 1, no. 3.

[12] David Brooks, "How to Build a Successful CEO" *The New York Times*, 20 May 2009.

the cost of some flexibility" with a relentless commitment to incremental efficiency gains. Quoting a study[13] by Steven Kaplan and others "Which CEO Characteristics and Abilities Matter?" Brooks identified the traits that correlated most powerfully with success as being attention to detail, persistence, efficiency, analytic thoroughness and the ability to work long hours. In his article entitled "Dullness Wins" Brooks warns against fame, recognition and awards.

The American psychologist, Robert Hare, who has done more than anyone to bring rigor to the study of psychopathy, a condition related to recognized personality disorders such as antisocial personality disorder (APD) and involving severe emotional detachment and consequent moral emptiness, has written, alarmingly, that business is the most agreeable vocation for psychopaths. In his book 'Snakes in Suits: when psychopaths go to work',[14] Hare and his coauthor, Paul Babiak, point out how difficult it is to spot the psychopath coming. They argue that some core psychopathic personality traits may seem initially attractive to recruiting employers. Charm is one. Another is that "some hiring managers may mistakenly attribute 'leadership' labels to what are, in actuality, psychopathic behaviours". Furthermore, the tendency of many businesses to abandon the old, massive, bureaucratic organisational structures in which people got on by not rocking the boat, in favour of what has been called a 'transitional' organisational style – one that has fewer layers, simpler systems and controls and more freedom to make decisions – encourages the recruitment of people who can 'shake trees'. As Hare and Babiak put it, in this changed business climate "egocentricity, callousness, and insensitivity suddenly became acceptable trade-offs in order

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[13] Kaplan, Steven N., Klebanov, Mark M. and Sorensen, Morten, Which CEO Characteristics and Abilities Matter? (July 2008). Swedish Institute for Financial Research Conference on the Economics of the Private Equity Market; AFA 2008 New Orleans Meetings Paper. Available at SSRN: http://ssrn.com/abstract=972446

[14] Paul Babiak & Robert D Hare, *Snakes in Suits: When Psychopaths Go to Work* (New York: HarperCollins, 2006).

to get the talents and skills needed to survive in an accelerated, dispassionate business world". Concomitantly, individuals who like to break rules and enjoy manipulation – that's to say, a group that includes psychopaths – are attracted to such work.

It would be a lot easier if there were as simple a test for psychopathy as may well be developing for assessing more beneficial traits in potential executives, such as levels of confidence and the propensity to take risk, both vital elements in any successful business leader. These qualities are, in part, related to levels of testosterone and it is claimed that the levels in any individual are determined by the degree of exposure to testosterone in the womb. What is extraordinary is that this itself is detectable in what is known as the 2D:4D ratio – the relative length of the index finger to the fourth finger. Research on this has been conducted by John Coates, a former Wall Street trader interested in the boundaries between economics and neurology, together with Mark Gurnell, an endocrinologist, and Aldo Rustichini, an economist. They discovered that the advantage gained by those with a low 2D:4D score (and so high testosterone) derives from two things. First, high pre-natal testosterone shapes brains with quicker reactions and a greater ability to concentrate[15]; and it amplifies what they call 'rutting stag' behaviour, which perhaps does not need defining.[16] It would be very convenient if personality disorders, let alone hubris syndrome, could be detected simply by measuring the relative length of fingers or some such unequivocal measure. But it is most unlikely such a simple test will ever be devised. Nonetheless, there are tests which can alert companies to the possibility that young executives may suffer from most orthodox personality disorders that could

[15] John M Coates, Mark Gurnell and Aldo Rustichini, "Second-to-fourth digit ratio predicts success among high-frequency financial traders", ed by Bruce S McEwen, Proceedings of the National Academy of Sciences, January 13, 2009 vol. 106 no. 2 623-628. DOI:10.1073/pnas.0810907106.
[16] Tim Harford, 'Why high-frequency traders are like rutting stags', *Financial Times*, 17 January 2009.

later wreak havoc in the company if the sufferers were allowed to exercise greater power.

But there is another difficulty which business has in relation to hubris syndrome which in my experience the political world to some extent escapes. Both attract people with a propensity to hubris and who already may exhibit hubristic traits. But the modern commercial world is *collectively* more susceptible to hubris, making it harder to single out *individuals* who are especially hubristic. As Andrew Jackson, Professor of Economics at the University of Warwick wrote, in a letter to the *Financial Times* on 5 March, about herd behaviour. “Herding happens when *relative* position matters. Think of sheep in a field or fish in a pool. They cluster together because safety from outside predators comes from being on the inside of the group. Although most do not recognise it in themselves, human beings are like other animals.”…”Homebuyers paid extraordinarily high prices for houses, even though not justified by fundamentals, because they felt they were trailing behind the Joneses. Brokers sold unsound mortgages not because they were convinced of the absolute merits of those products but because they had to keep up with rival brokers. Most economists kept quiet about the house price bubble; they were frightened of speaking up.” The lesson from all of this is that imitative crowd behaviour or the behaviour of the herd need regulating.

This collective susceptibility operates at two levels. It operates globally, as it were, within economies as a whole. What else is a bubble? Indeed one might say that the expression ‘boom and bust’, which Gordon Brown believed he had permanently overcome, is the ineradicable condition of capitalist economies. It is merely a modern way of talking about hubris and nemesis in business.

But collective hubris can operate also at the company level. Collective hubris at both levels provides camouflage to individuals working within the business world who may, in addition, be susceptible to the syndrome themselves. The reason why the business world is vulnerable to collective hubris is clear enough. The goals of business, unlike the goals of politics, are defined almost exclusively in terms of growth. Economic growth and profit are reflected in bonuses to employees and in dividends to shareholders, increased share price, increased salaries for those who work in the enterprise and beneficially in some companies in increased investment in corporate social responsibility.

Expanding the business and taking risks to achieve higher profits motivates business people. Of course there are politicians who are drawn to similarly expansive goals and evince the same willingness to take risks to achieve them; but what politicians primarily seek is re-election and that may often lead them to put aside such goals and to eschew risk-taking. Doing little or even on rare occasions nothing is sometimes a wise course in politics in a way that is rarely the case in business. Consequently hubristic leaders incapable of being cautious tend to stand out in politics and in many instances that brings, at least initially, success. Whereas hubristic leaders can be camouflaged in business.

A good example of collective hubris operating at company level is the case of Enron. It was among the first and certainly the most high profile of the large diversified companies to emerge in the era of de-regulation in the 1980s. Being a new sort of animal it was able to develop its own culture. And it is clear from the testimony of many who worked within it – testimony forthcoming at the trials of its leaders after the company's collapse in 2001 – that it was a highly hubristic culture. In America some of the most spectacular collapses are likely to be openly examined in the courts when people like the key decision makers in Lehman Brothers may turn out to be charged for specific offences. In the UK, in my view mistakenly, the law looks like being sidelined by a belief that we should turn the page and not look back.

An interesting new book is 'Think Again: Why Good Leaders Make Bad Decisions and How to Keep it from Happening to You'.[17] The authors identify four common sources of error: misleading experiences, misleading prejudgements, inappropriate self-interest, and inappropriate attachments. In the case of Sir Fred Goodwin, Chief Executive of RBS, we saw how past experiences might give misleading guidance in making decisions: Goodwin's success in the NatWest takeover appears to have encouraged him and the RBS Chairman to make the reckless decision on ABN-Amro. With regard to misleading prejudgements - that is to say, fallibility in recognising patterns - Peter Cummings from HBOS corporate division was apparently unable to 'read' the situation and went on lending even after the world had started to fall in and neither Lord Stevenson, the Chairman, nor the Chief Executive, reined him in. With reference to inappropriate self-interest one needs in general to refer only to the levels of business leaders' remuneration, especially the method behind bonus payments where the link to personal performance is weak. But for those with hubris syndrome it amounts to very much more. Their identification of themselves with the organisations which they run, one of the fourteen identifiable symptoms of Hubris Syndrome, means that they see no difference between their own self-interest and the interests of their own organisations, a truly frightening condition with obviously potentially ruinous consequences for the organisations they lead. In relation to inappropriate attachments, Andrew Fastow who became Enron's Chief Executive Officer in 1998 developed an excessive attachment to the company, where he saw himself as a 'hero' to Enron, and this led him to take decisions which helped cause the downfall of his company and sent him to prison.

Contempt of court is very serious and even if it involves a relatively small point it should, in my view, be pursued in the courts as a deterrent. This is

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[17] Sydney Finkelstein, Jo Whitehead and Andrew Campbell, *Think Again: Why Good Leaders Make Bad Decisions and How to Keep it From Happening to You* (Boston: Harvard Business Press, 2008)

particularly important where it involves high profile leaders. Contemptuous behaviour often goes with hubris and was something the Greeks focused attention on. Contempt is hubristic because the risks entailed in lying suggest the recklessness of someone who has lost touch with reality and the dangers that lie ahead, such as being found out by a court. That loss of touch with reality is itself one of the symptoms of someone in thrall to hubris. The penalty for such loss of touch with reality can be nemesis.

Lord Browne, the former Chief Executive of BP, discovered this when In throwing out Lord Browne's case Mr Justice Eady referred to Lord Browne's "willingness to tell a deliberate lie to the court". He said of the lie that "it may be that it should be addressed as contempt or as some other form of criminal offence", although he added that he had decided not to refer the case to the Attorney General for possible prosecution. He did say, however, "I am not prepared to make allowances for a "white lie" told to the court in circumstances such as these – especially by a man who prays in aid his reputation and distinction, and refers to the various honours he has received under the present government, when asking the court to prefer his account of what took place". When Lord Browne's attempts to overthrow this ruling were rejected by the House of Lords, and the injunction was lifted, he resigned at once on 2 May 2007.

Yet in Browne's case, as in the case of President Clinton, lying about sexual risk-taking is often judged as falling into a separate category. A majority of the public seem to understand this and judges a leader's competence and claims to stay in office as a somewhat separate issue. To some extent they accept that lying over sexual activity is different. This was evident during Clinton's impeachment procedures. Action under impeachment was the only sanction available, not to have invoked it risked condoning the offence but in my view wisely the politicians used their commonsense in reflecting US public opinion in tolerating Clinton's false responses in his deposition. At the end of Clinton's period in office he accepted a two-year suspension of his law licence in Arkansas and a $25,000 fine.

Although I have no further evidence to corroborate the point, it is at least possible that it may have been the detection of hubristic traits in Lord Browne, even before the legal case, that brought Peter Sutherland, as BP's chairman, to argue against extending Browne's term of office. If that was so, the law case retrospectively justified Sutherland's determination. According to the *Guardian* of 9 March, 2009 Sutherland cited the relative recovery in the fortunes and reputation of BP since the departure of Browne as a reason for making performance-related share issues to his successor and snubbed Browne by excluding him from the incentive payment for which he was eligible for 2006. Browne, nevertheless, it is claimed, has an annual pension of just over £1 million.

The BP example is also a demonstration of the separation of the role of Chief Executive and Chairman, common in the UK but rare in the US. In the US more weight is given to the role of the senior non executive and to Boards meeting from time to time without its fully employed directors being present. Both systems have merits in my experience as a board member in the US and UK. What is vital is that Boards monitor very closely their chief executive and such other executives that operate with independent authority so that they can pick up hubristic traits and the signs and symptoms of gathering hubris syndrome. This is particularly important when the company is seemingly doing well and it is easy to become complacent and miss a developing hubris.

In the UK there are no grounds for general optimism about the vigilance of Chairmen and directors. The RBS experience shows Peter Sutherland on the Board of that company seems to have played a less activist role, as a non executive. Also a recent survey of 375 company chairmen and non-executive directors, conducted by remuneration consultants, MM&K and the headhunters Hanson Green, revealed that a quarter of non-executives said they were unsure they could control chairmen and chief executives and a further 10% said they knew they could not. Shareholders and the wider public cannot therefore rely on non executives unless there are significant changes in the balance of power within the company.

Hubris Syndrome, I suggest, is one of the contributing factors to this present banking crisis and helps explain why some potentially good leaders ended up making such disastrous decisions.

Politicians together with the Federal Reserve and the Bank of England curbed business excess and personal recklessness and exuberance after the economic troubles of the late 1920s and early 1930s with new regulations. Politicians in the US and the UK, urged by business, removed some of these curbs in the 1980s and 1990s. We are having to learn again from these mistakes but also from a culture that derided mutualism, friendly societies and cooperatives.

The recent massive global financial bubble, from the bursting of which we are now all suffering, is a clear case of collective hubris. When I asked a banker friend why no one had been able to blow the whistle on what was going on his answer was simple. He said that anyone in banking who had had the temerity to argue that his bank was following the wrong course would simply have lost his job and there is some evidence that this did happen to a few whistleblowers. What makes the recent collective hubris so alarming is that it was also so blind. Those participating at high levels in the financial bubble now confess, as, before, many of them admitted privately, that they simply did not understand the game that they were playing. The complexity of the securitized financial world, collateral debt obligations, credit default swaps, was *beyond* many people's comprehension.

Yet not all bankers were blind. I asked the former Chief Executive of Standard Bank, now a Government Minister, and still giving, I am sure, wise advice, whether I should become involved with a hedge fund. “Do you understand it?” was the answer. Since I did not, I declined.

Businessmen become susceptible collectively to what Keynes called ‘animal spirits’. Alan Greenspan, the former chairman of the US Federal Reserve Board, called it ‘irrational exuberance’ - note the word ‘irrational’ - and has had the grace to apologise for his own excess – not something we have yet heard from many politicians. Yet booms and busts go with the territory of risk-taking capitalism: sweep it all aside and you are left merely with a bureaucracy.

Complacency and specific mistakes of policy and regulation are being glossed over in global reports. We already have the IMF’s views in their published discussion papers that, “At the root of market failure was optimism bred by a long period of high growth, low real interest rates and volatility”. The lessons the IMF want world leaders to learn is that “flawed incentives and interconnections in modern financial systems can have huge macro economic consequences”. These are, however, mere generalizations. What is needed are specific solutions and sanctions otherwise we can be certain that the “animal spirits” will return. Greed, hubris and exuberance are kept in check – we know from experience - by the fear of disgrace, bankruptcy, prison and penury. Such sanctions are national not global. They bite, the rest is talk. The Americans understand this better than the British.

It is very, very depressing to see the politicians who presided over this bubble, Presidents Clinton and George W Bush, and Prime Ministers Blair and Brown, pass the buck to the bankers and hide their responsibility for the “light touch” regulation of the Anglo-Saxon financial service model behind the constant stress on a global crisis. Independence for the Bank of England in fixing interest rates had considerable merit. But the former Governor of the Bank of

England, Eddie George, was right to tell Gordon Brown and Tony Blair that their decision as well to deprive the Bank of its regulatory role was wrong. In retrospect he should have followed his initial instinct and resigned over the issue of regulation. Had he done so I think the Bank would have kept its regulatory function and we would never had had an FSA with its damaging and inexperienced regulation. Canada was the exception in still retaining old banking legislation and traditional banking attitudes on the American continent over the last decade as was Poland in the European Union, demonstrating that not everything or everyone went global.

Both collective hubris and group think influenced politicians in their support for the heady economics of the booming mid to late 1980s through to the first seven years of the 21st Century. Many of us, including myself, were lulled into feeling all was well. Gordon Brown's remarks after ten years as Chancellor of the Exchequer and seven days from becoming Prime Minister, are very revealing on his state of mind. On 20 June 2007 he talked of 'the beginning of a new golden age for the City of London'. Having boasted for some time of ending 'boom and bust' in this speech he claimed that out of the first decade of the 21st Century, 'the greatest restructuring of the global economy, perhaps even greater than the industrial revolution, a new world order was created'. Within months banks were being nationalized or bailed out and the world faced its worst economic crisis for more than 70 years. Soon over a half of British banks were either nationalized or had the government as their largest shareholder.

Yet despite that hubristic quotation I do not think that Brown has yet developed hubris syndrome as Prime Minister, unlike his predecessors David Lloyd George, Neville Chamberlain, Margaret Thatcher and Tony Blair. There is too much inner tension brought out from self-doubt in his personality. He finds it difficult to admit mistakes, not because he is super confident but because there is an underlying lack of confidence. One senses he knows when he has made mistakes and regrets them, but he believes as a tribal bullying politician, mistakenly, that the admission of error is a demonstration of weakness, so any apology has to be dragged out of him. His bitten down nails reflect an inner anxiety and his mood changes which make him difficult to work with are compensated by real knowledge and a dedicated work ethic. He is a deeply complex man.

My aim now is to challenge the medical profession to engage with hubris syndrome; to try to better identify its characteristics and see if the medical profession can develop means of spotting its latency in politicians or business people aspiring to high office before they can do harm; and to question whether democracies can institute procedures to protect themselves from politicians and business people who might be susceptible to hubris syndrome.

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