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Ethics, Networked Banks, and Communicative Action

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Abstract

This study investigates the ethical implications of the professional connections among bank directors. Drawing on the social capital literature, this study uses automated text analysis (i.e., a rhetorical analysis software) to examine the extent to which banks with high social capital, signalled by bank well-connectedness, adhere to the Habermas's norms for communicative action, namely comprehensibility, truth, sincerity, and legitimacy principles. Based on a unique dataset for a sample of 168 US commercial banks listed continuously from 2009 to 2015, we find that bank social capital has a significant impact on the rhetorical features of CEOs letters. In particular, the results show that well-connected banks adhere to the sincerity and legitimacy principles and share more authentic and relevant information. Further, we offer some evidence that well-connected banks adhere to the comprehensibility principle and enhance the life-quality of their letters. Our evidence is relevant to shareholders and stakeholders as well as bank governance, suggesting that professional communications among bank directors lower the incentives of bank leaders to strategically distort corporate information.

Keywords: Content analysis, Interlocks, Network ethics, Social capital, US banking sector

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