Chicago Booth/Kellogg School Financial Trust Index Reveals Public Sentiment on Corporate Accountability, Compensation

- *70 Percent Believe it "Unfair" that Compensation of JPMorgan's top Management Unaffected by Scandals;*
- *48 Percent Say JPM Should Have Paid More in Penalties/Settlements*

CHICAGO (February 7, 2014) Americans are fed up with the excessive compensation and lack of integrity of top corporate managers, according to the latest data from the Chicago Booth/Kellogg School Financial Trust Index. The overall index's collective measure of trust held steady at 24 percent.

The quarterly survey—which has been tracking trust across key financial institutions for the last five years – included in the latest report sentiment about several multi-billion dollar penalties paid out last year by JP Morgan Chase.

Co-authors Paola Sapienza, the Merrill Lynch Capital Markets Research professor of finance at The Kellogg School of Management at Northwestern University, and Luigi Zingales, the Robert C. McCormack Professor of Entrepreneurship and Finance and the David G. Booth Faculty Fellow of the University of Chicago Booth School of Business, conducted the survey between December 18, 2013 and December 26,2013, about a month after two of JPMorgan's settlements were announced.

Even in the wake of these penalties and settlement, the bank announced that overall compensation for employees, including top management, will remain the same this year, which was unsettling for a vast majority of those surveyed: A whopping 70 percent of respondents answered "no" to the question "Do you feel it is fair that managers will not have to give back any compensation for their mistakes?" with 26 percent responding "yes."

"This is a clear indication that accountability on the part of corporate leaders does matter to Americans. Their integrity – or lack thereof – is something people care about," Sapienza said.

In addition to the compensation issue of JPMorgan Chase top management, Americans also feel strongly that corporations are held accountable for their actions.

"In November, JPMorgan paid out a $13 billion penalty to the Justice Department, and another $4.5 billion in a separate settlement with institutional investors. We found that 48 percent of people believe that JPMorgan should have been required to pay more in penalties and settlements than they did, with 32 percent being satisfied with the amount paid for their mistakes, and 11 percent believing that the bank was 'unfairly targeted' for their actions," Zingales adds.

These results corroborate research conducted by Sapienza and Zingales, showing that a firm's integrity directly affects profitability. In the study, titled "The Value of Corporate Culture," the researchers found that companies that are perceived by their own employees to value ethics - but not necessarily those that advertise their ethical culture to outsiders - showed higher profits and other indicators of strong performance.

ABOUT THE SURVEY: The survey was conducted for the Financial Trust Index by Social Science Research Solutions (www.ssrs.com), an independent research company, from December 18, 2013 to December 26, 2013, via telephone. A total of 1,020 individuals who make household financial decisions were interviewed, with a margin of error for total respondents of +/-3.65 % at the 95% confidence level.

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