

# Mercers' School Memorial Professor of Commerce Michael Mainelli

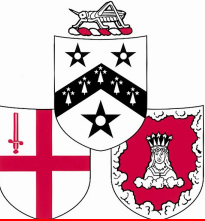
*"New Learning"*

## Beyond Price Trust Me, I'm Commercial



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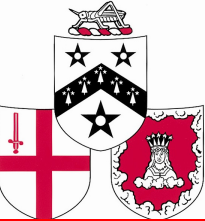
# Outline

- Trust is not a good
- Trust in theory, and diagrams
- Trust in games
- Trust in volatility
- Trust in money
- Trust me, I'm human



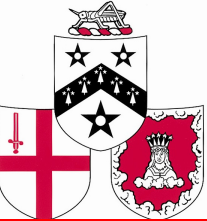
“Get a detailed grip on the big picture.”

*Chao Kli Ning*



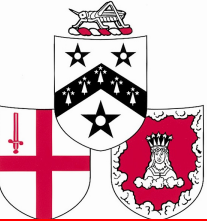
# Bond, Commercial Bond



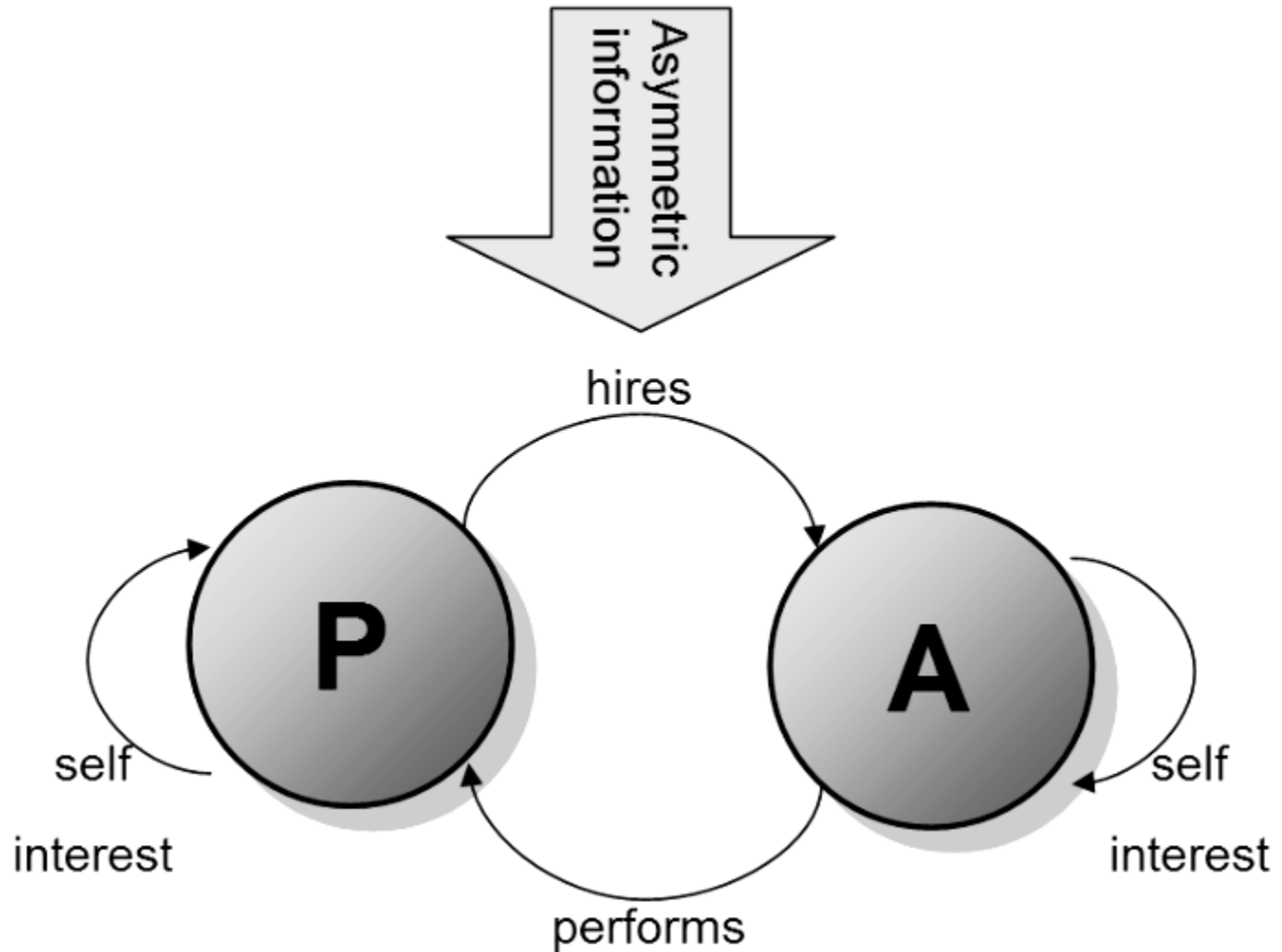


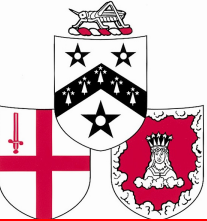
# Motherly Trust



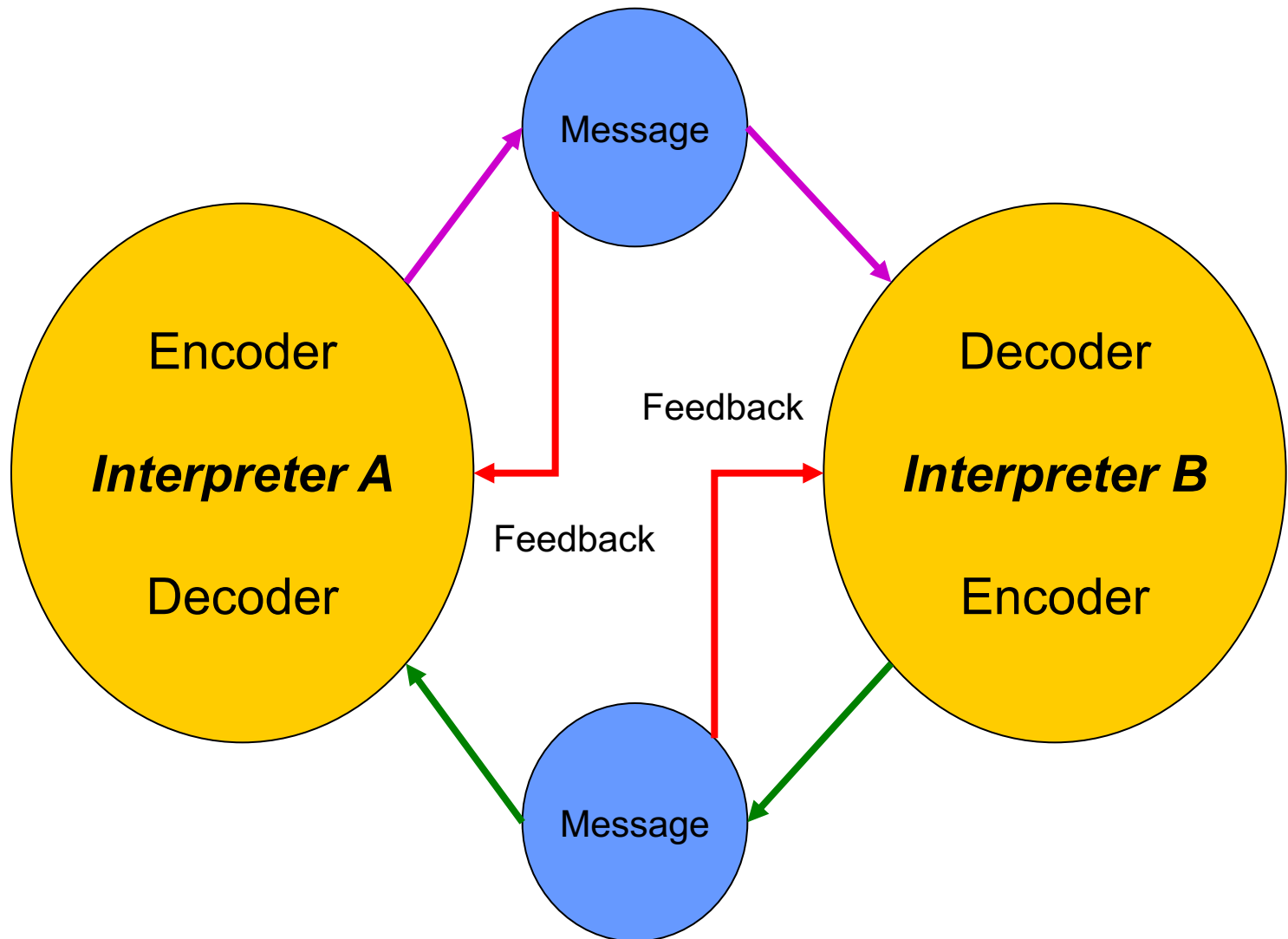


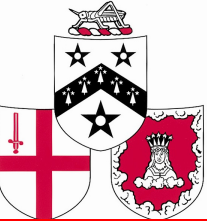
# Agency Theory



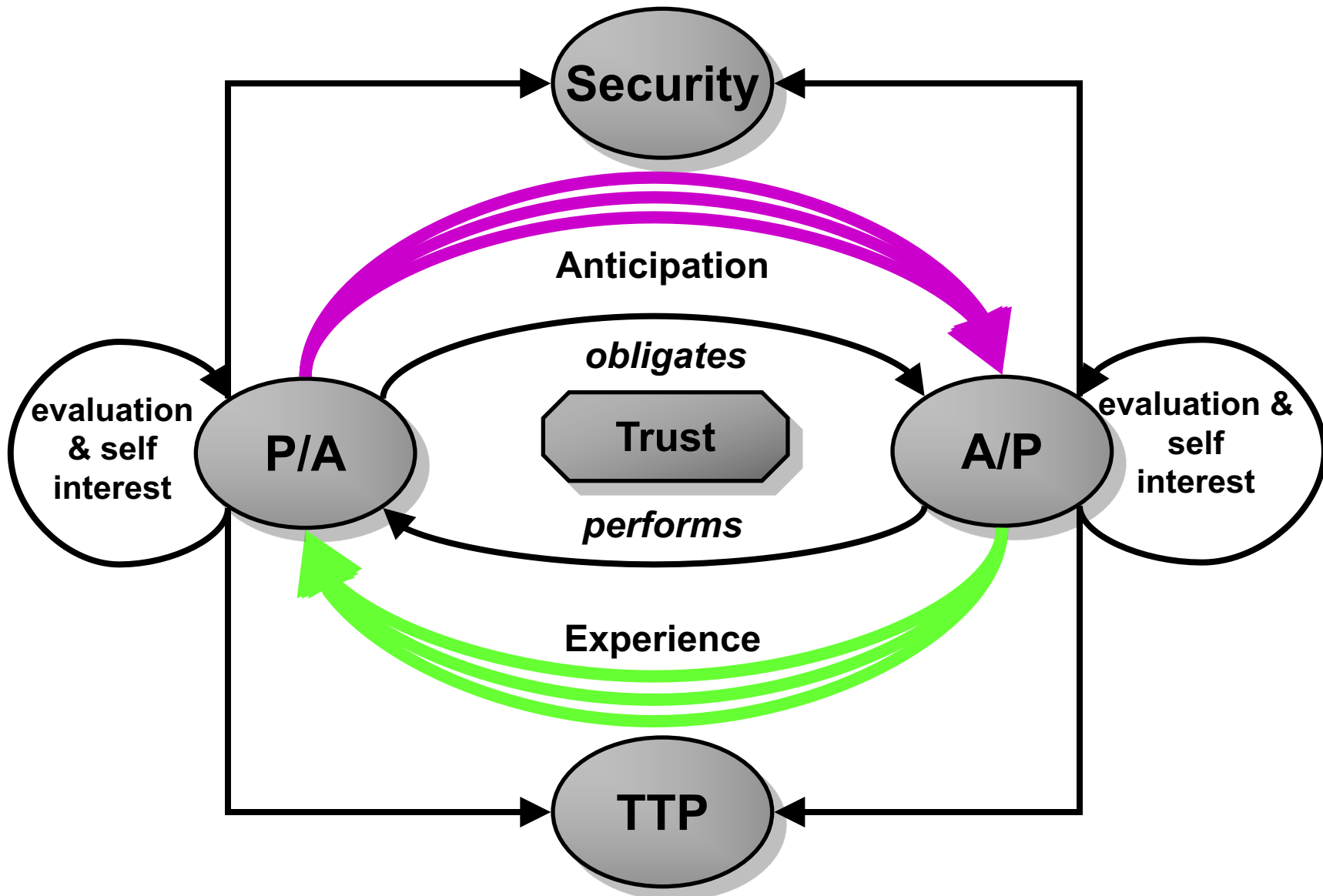


# Information Theory

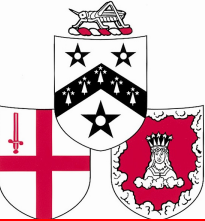




# Trust Theory



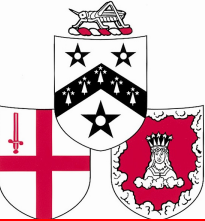




# Nobody Loves Me Like I Love Me



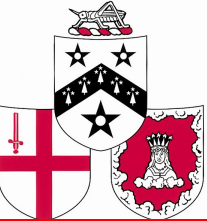




# Trust Equation

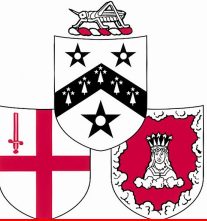
$$\text{Reputation} = \Sigma (\text{Experiences} - \text{Anticipations})$$

$$\text{Trust} = \frac{\text{Obligation}}{\text{Reputation}}$$



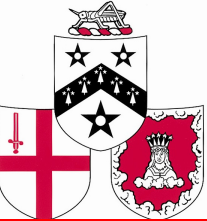
# Trust In A Game



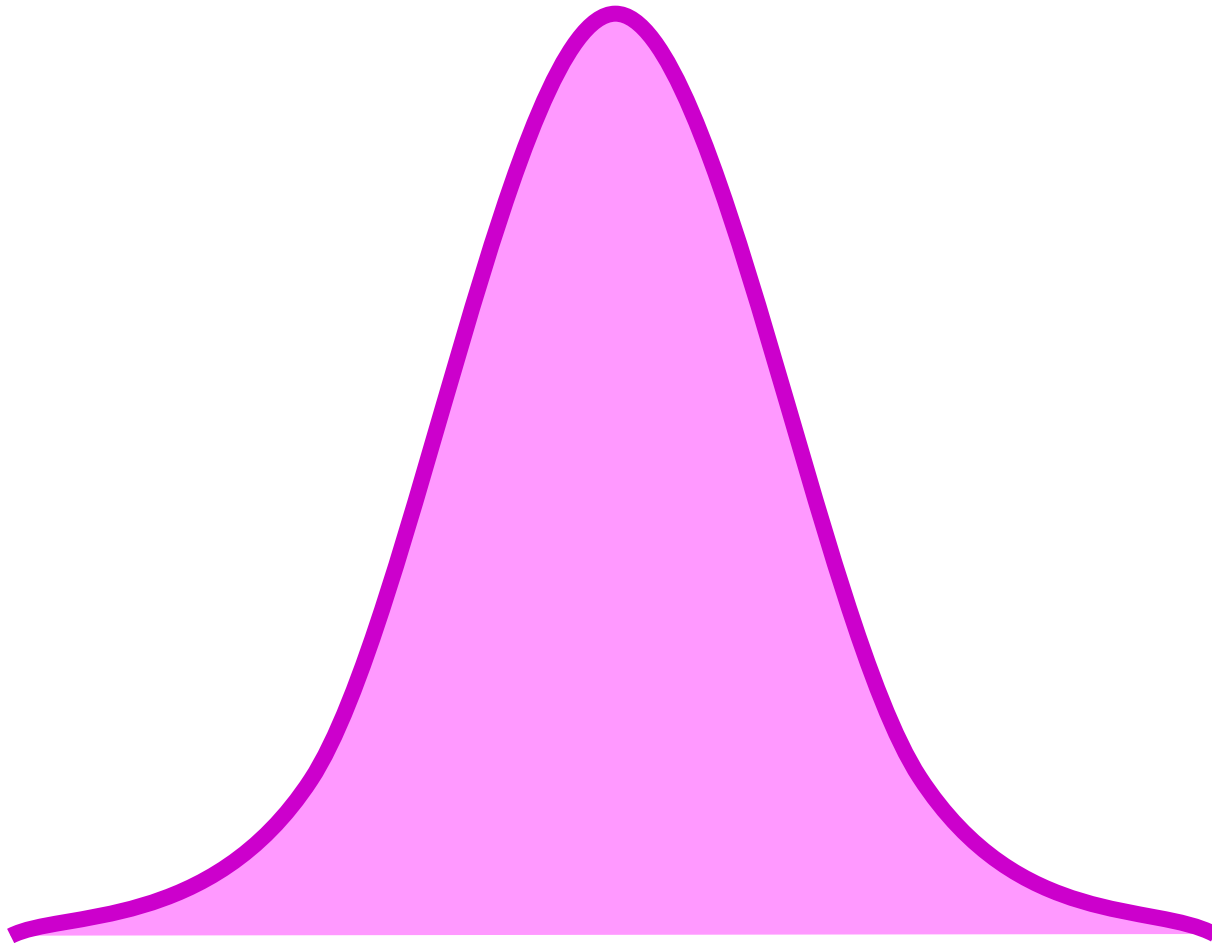


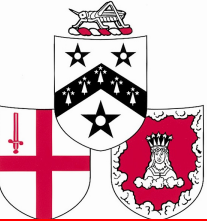
# Mexican Standoff



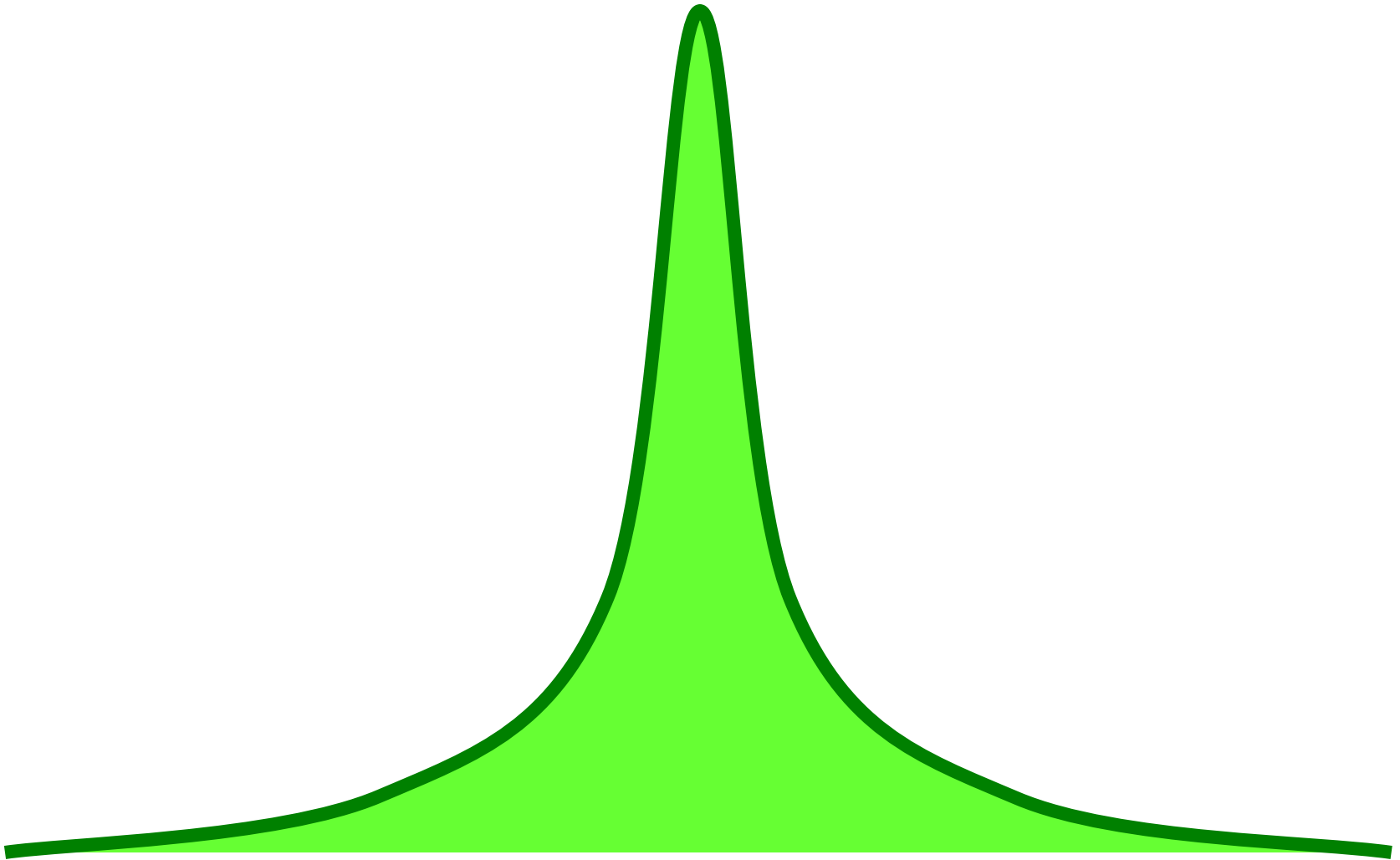


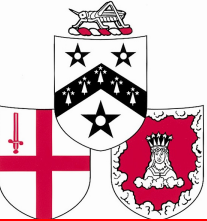
# Experiences



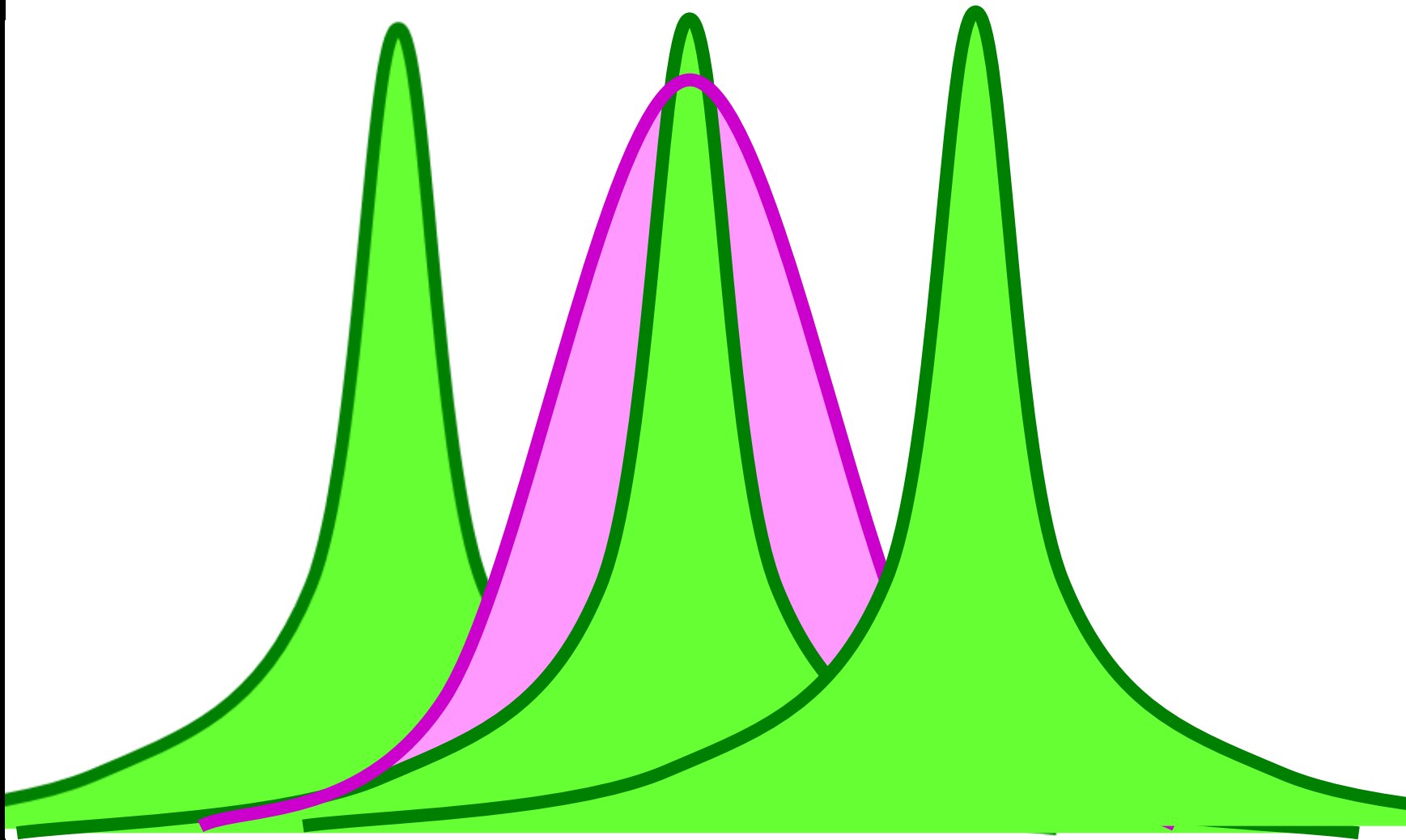


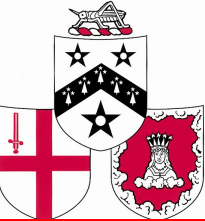
# Anticipations



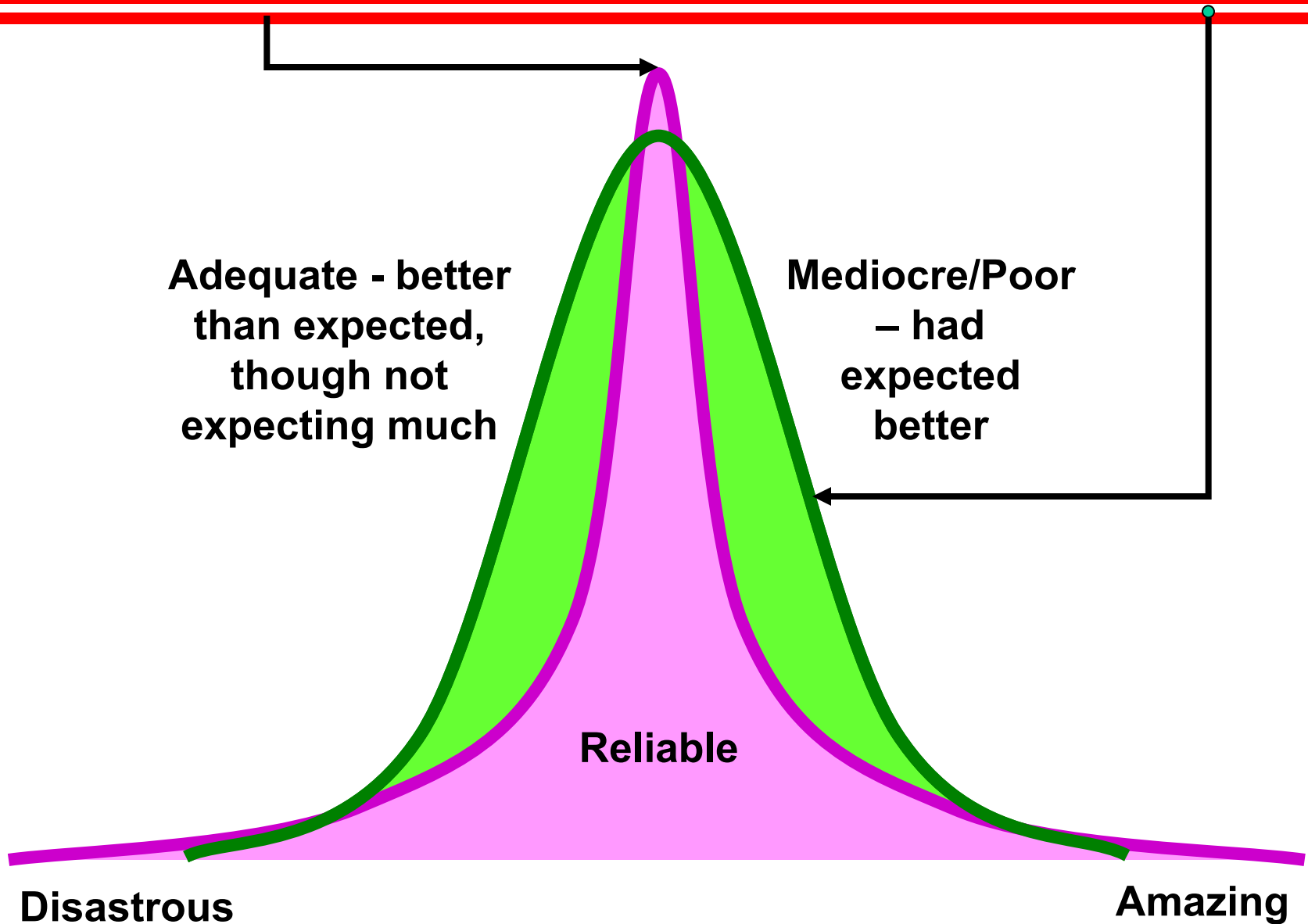


# Green Shoots Of Anticipations

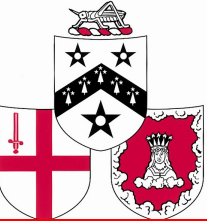




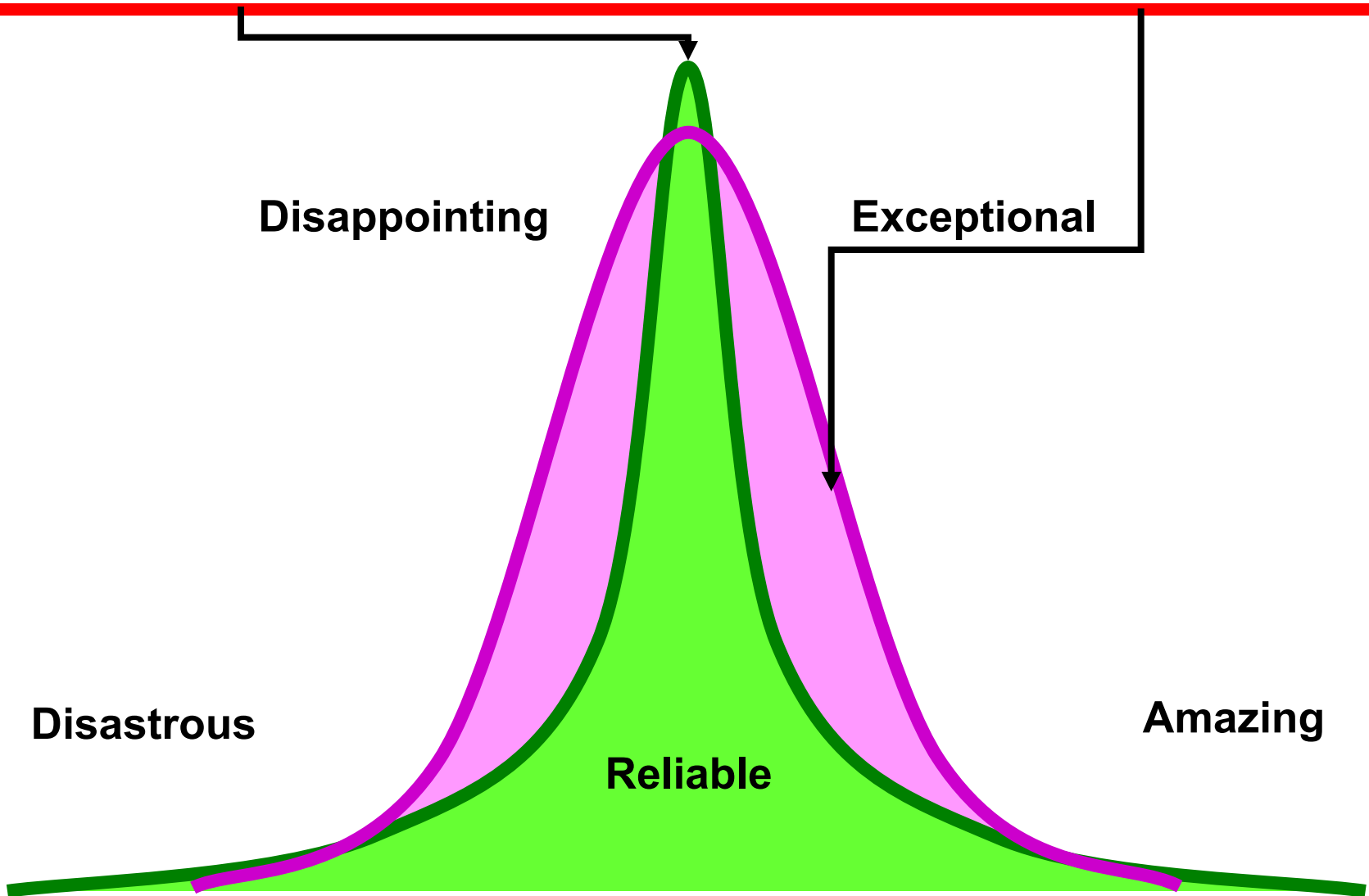
# Experiences Tighter Than Anticipations

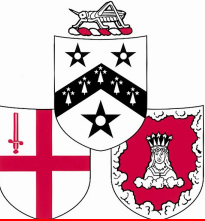




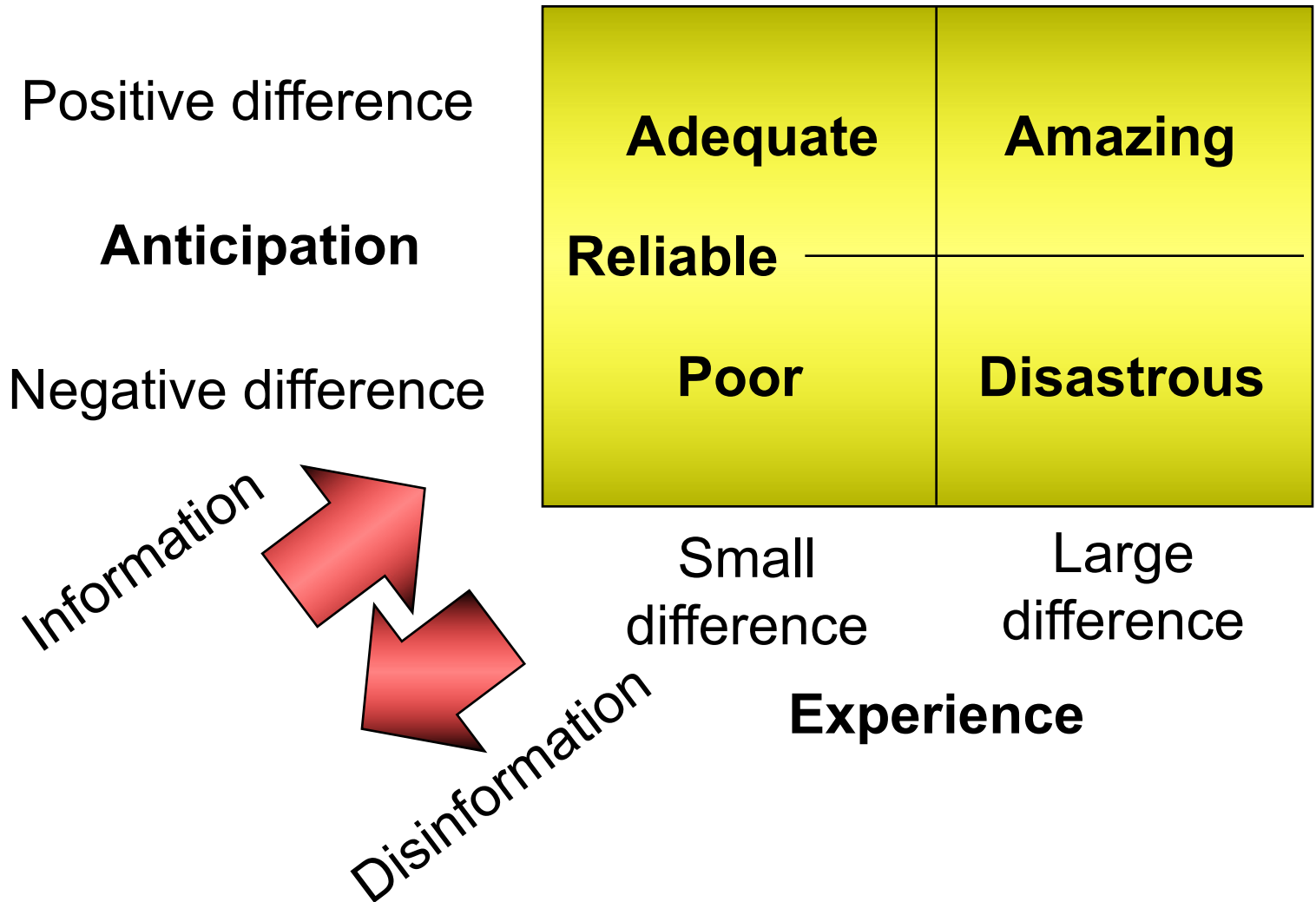


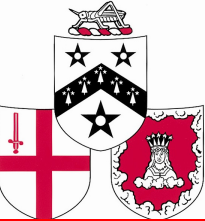
# Anticipations Tighter Than Experiences



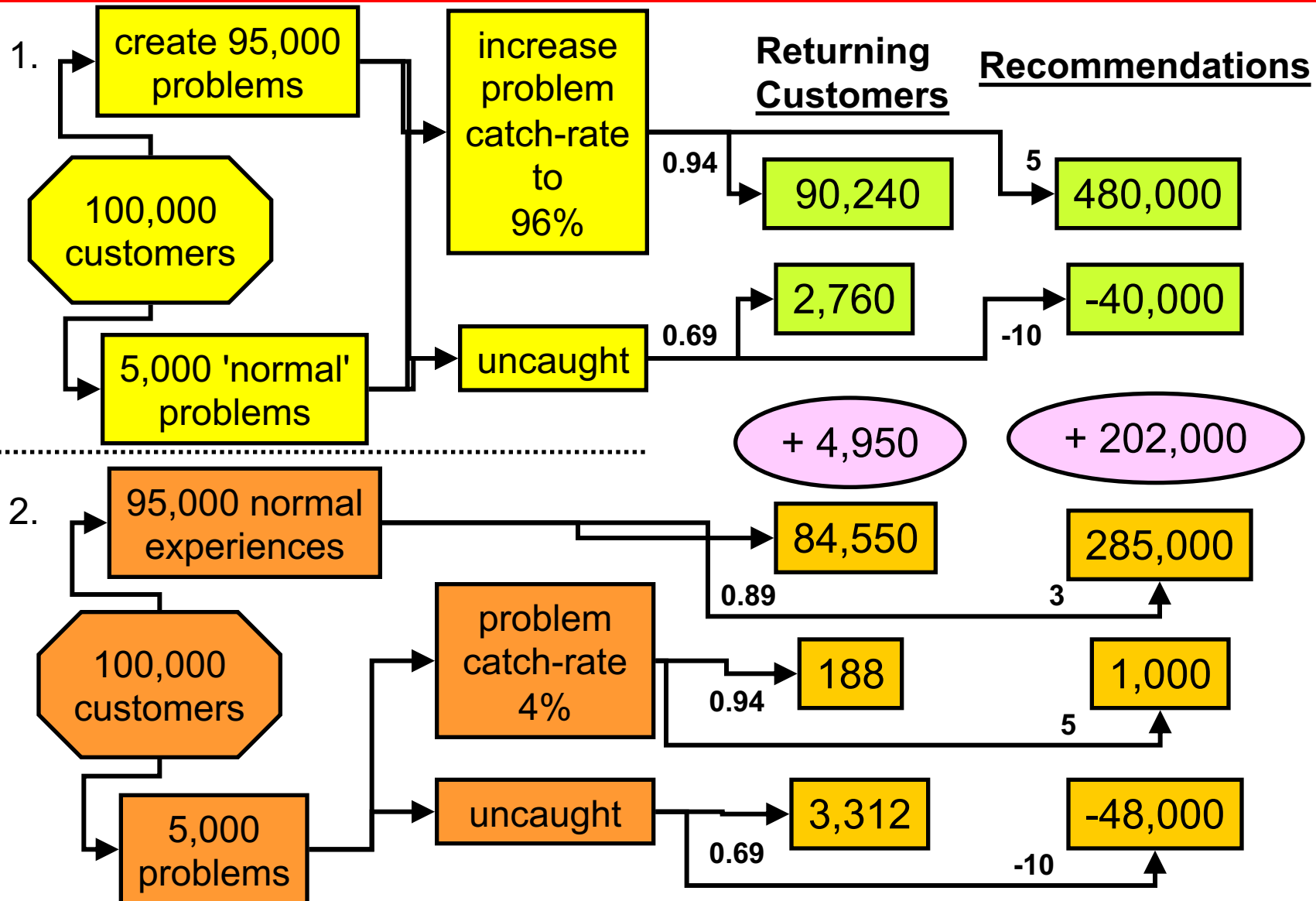


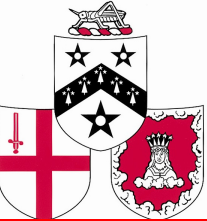
# Accumulated Differences



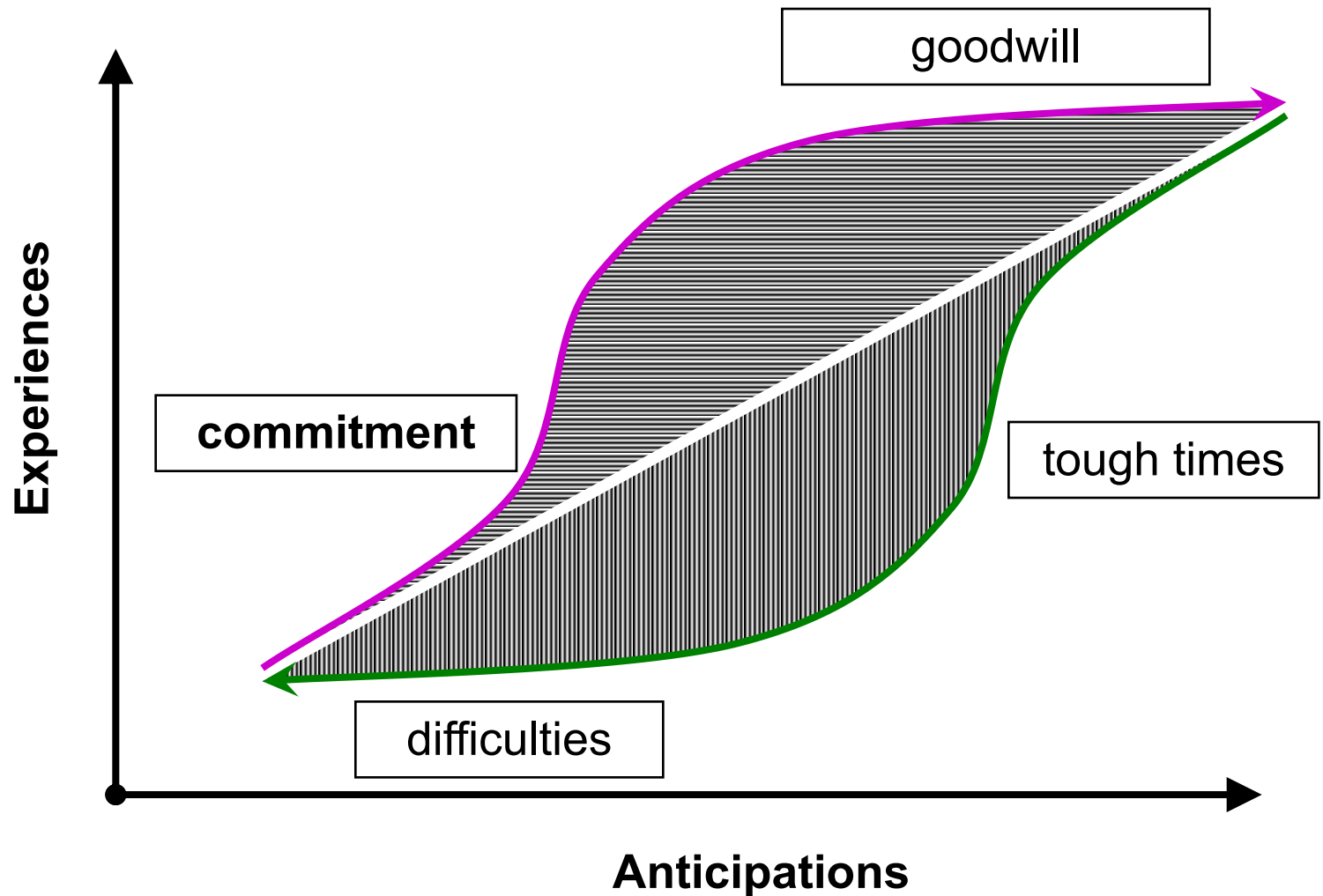


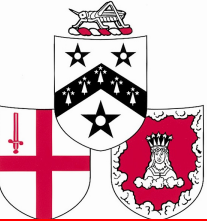
# A Problem Created ... Is A Margin Improved



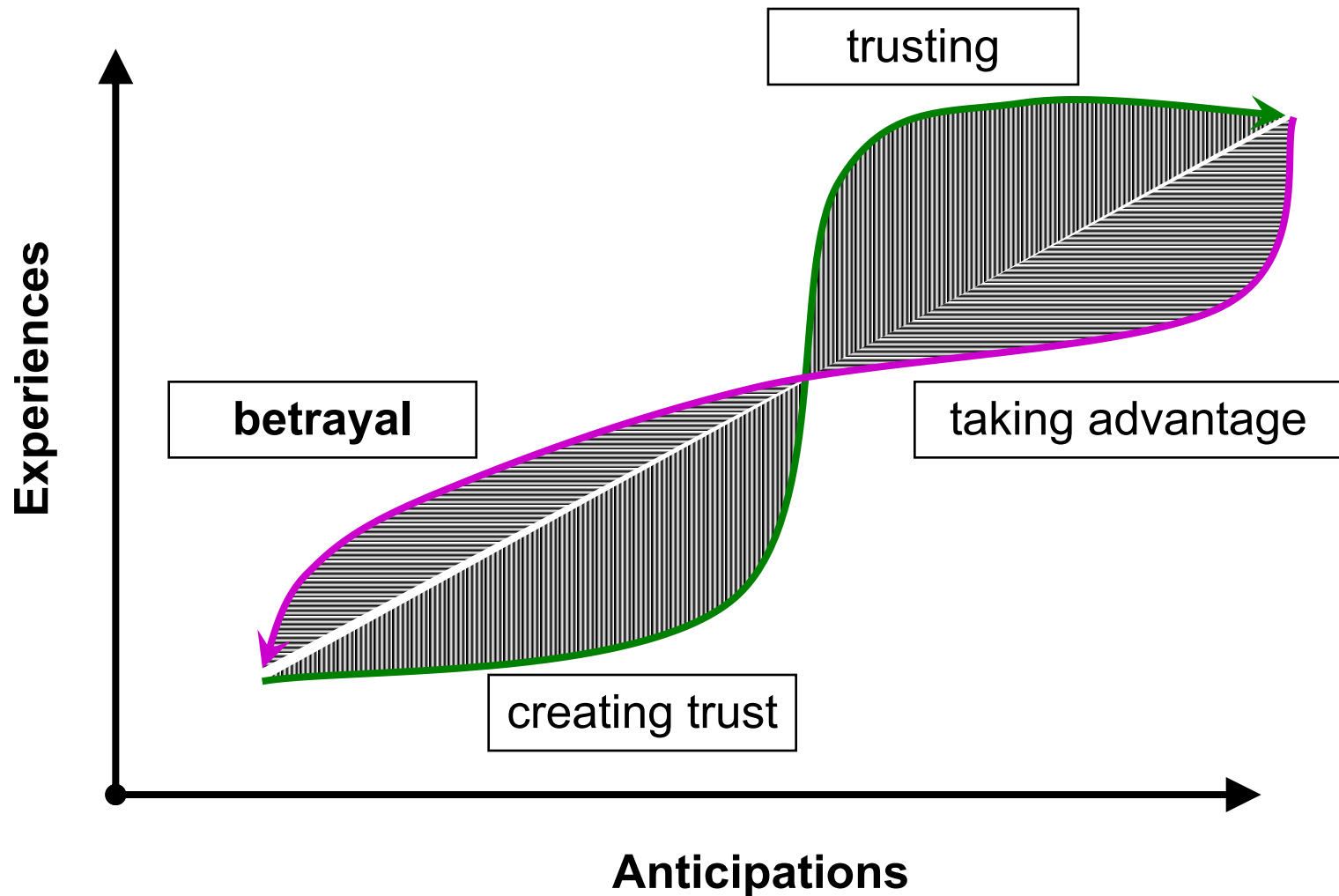


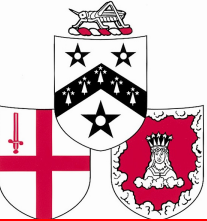
# Building Trust – Slow Path



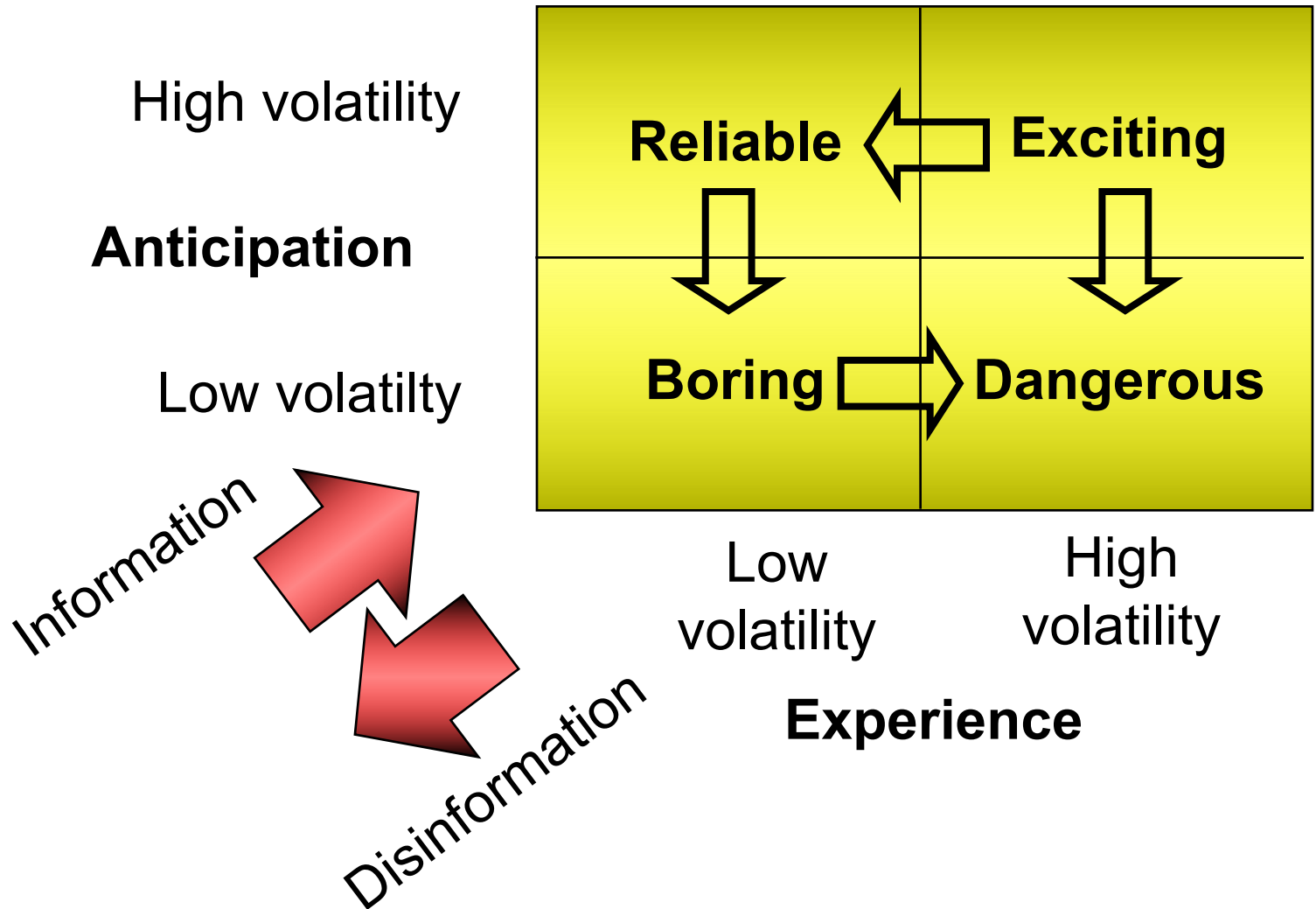


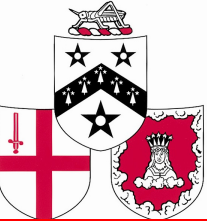
# Sowing Betrayal – Fast Crossover





# Volatility Makes Friends



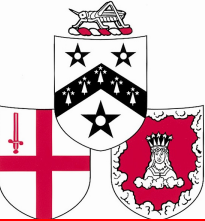


# Trusting Souls



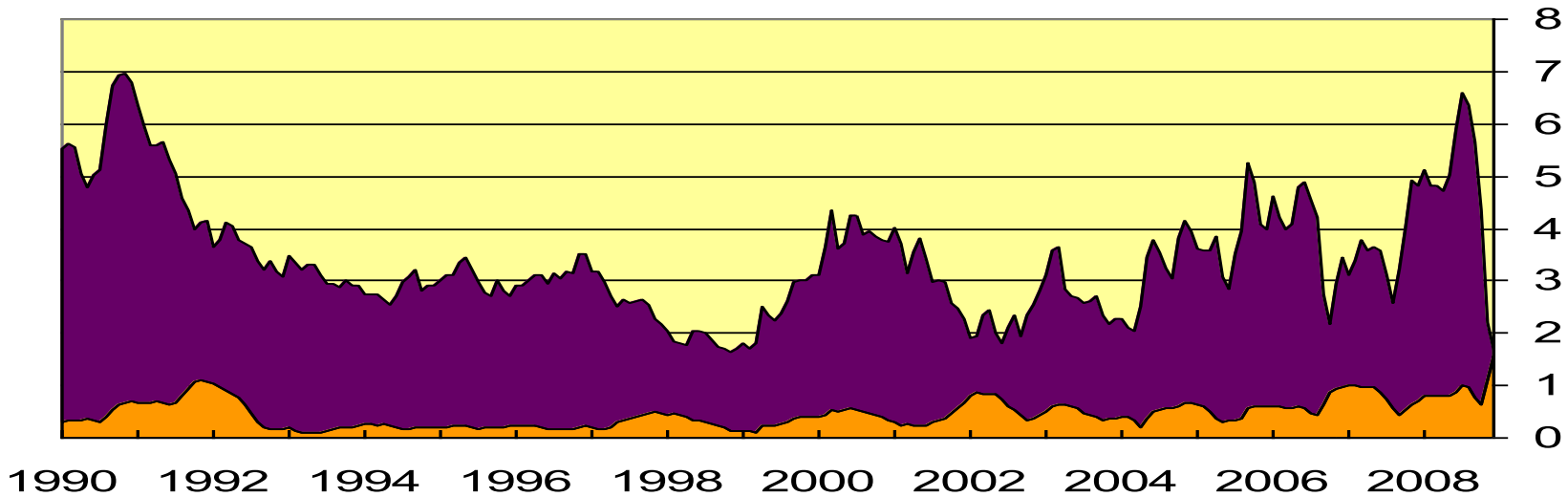
**“What’s our policy on trust?”**



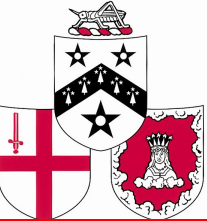


# VIX TO Reality

Previous 12 Month Standard Deviation    Annualised Inflation

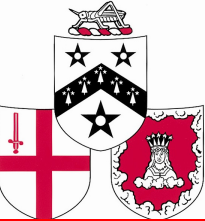


[Source: Bureau of Labor Statistics (inflation), Wikipedia (historical VIX)]



# Trust Me, I'm Human

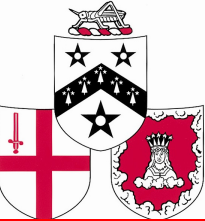




# Discussion

1. How can we know when we're too suspicious – the opposite of “too trusting”?
2. Can we ultimately automate trust?





# Beyond Price Trust Me, I'm Commercial

Thank you!



“Get a big picture grip on the details.”

*Chao Kli Ning*