Introduction

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One of the most notable aspects of recent financial history is the growing role of State intervention in financial markets. If the immediate response to the Crisis was a form of "socialism for the rich" there is now a widespread view it is payday for the help proffered. A belief that "markets know best" is increasingly challenged by a belief that if taxpayers paid the piper they should now be calling the tune of financial reform. This belief is manifested in moves to restore barriers between investment and commercial banking, the EU's financial transaction tax and restrictions on bankers' bonuses. It is therefore with pleasure the *International Journal of Behavioural Finance* presents a Special Issue on Financial regulation.

The issue begins with a paper asking whether structural reform of our financial system can ever overcome our fatal flaws as consumers of financial products and reward seeking risk takers. Gordon reminds us to have a healthy scepticism regarding structural reform that does little to challenge our underlying greed, optimism and gullibility in evaluating financial risks. In a related paper McAuley shows how the behavioural agenda has influenced more than financial markets as a wide spread belief in the "magic of markets" wanes. McAuley also reminds us that this doubt regarding market allocations is in many ways a rebalancing to a former view, at least as old as the political economy of

Smith and Hume, when the blessing and curses of the market economy were more carefully balanced.

The volume closes with three papers showing there is more to financial decision-making than risks and rewards. The paper by Fairchild and Mai illustrates the role played by empathy and trust in the contracts for the provision of capital offered by venture capitalists. Contract terms to restrain entrepreneur opportunism are only as effective as the legal system in place to enforce them. In settings where the legal regime is poor it maybe more important for venture capitalists to engage in trust-building, cooperative, investment as a way of ensuring delivery by the entrepreneur. The final two papers in the Special Issue by Annuar and Forbes offer different perspectives on the role of race/religion in financial decision making. Annuar offers evidence concerning the impact of ethnic Malay directors on the creation/destruction of shareholder value in Malaysian companies, where companies founded by ethnic Chinese citizens are required to have ethnic Malays represented on their Board of Directors. While such ethnic Malay appointments add prestige within the ruling political elite they can also cause tensions within the company itself. Finally, Forbes revisits the role of trust in enabling Bernie Madoff to swindle so many high profile members of the American Jewish community that had previously lauded him so much.