

Banking as a Virtuous Practice

A MacIntyrean and Spenglerian Interpretation of
the Ethical Dimensions of the Financial Industry

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Preface

Man sollte [...] alle Tage wenigstens ein kleines Lied hören, ein gutes Gedicht lesen, ein treffliches Gemälde sehen und, wenn es möglich zu machen wäre, einige vernünftige Worte sprechen.

{Goethe, 1902, p. 5}

It has been over six years since I first set foot in the Vrije Universiteit in Amsterdam to commence a Bachelor study in International Business Administration. Today two Bachelor degrees and one Master degree later this thesis is the finishing mark for my Master's degree in Philosophy of Management and Organizations which will (most likely) be my last degree at this university. It has been a grand couple of years.

Before I commence I would like to sincerely thank my thesis supervisor dr. Ad Verbrugge for all the valuable feedback and the guidance throughout the writing process of my thesis. Furthermore, I would like to express my gratitude to Jelle van Baardewijk MA for providing me with relevant literature and the students within my thesis guidance group Dennis Hoogland, Sebastiaan Krul, Tim van der Meulen, Joris Peereboom, and Ruben Pilon for their helpful comments. Moreover, I am grateful to dr. habil. Christian Krijnen for his role in the assessment of this thesis. However, I am most thankful for the love and guidance of my mother, father and sister; without you this would not have been possible.

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Introduction

As for the life of the businessman, it does not give him much freedom of action. Besides, wealth is obviously not the good we are seeking, because it serves only as a means.

{Aristotle, The Nicomachean Ethics, I:1096a, trans. 1953}

In September 2008 the financial world was shaken to its core by the bankruptcy of Lehman Brothers, a large international investment bank. Signs of turmoil in the financial markets had started to show more than a year earlier caused by decreasing housing prices, deteriorating subprime loans and a consequent increase in the rate of mortgage delinquencies in the United States. Financial firms with interests in United States' mortgages and their securitization into mortgage backed securities were vulnerable to the deteriorating mortgage market. Many of these firms became distressed in the period between October 2007 and September 2008 which led to large losses in the financial sector and induced the United States government to intervene in the market in order to relieve some of the distress. However, this intervention was of no avail when in September 2008 Lehman Brothers succumbed to the market pressure and the mismanagement of its own investment portfolio. Stock markets worldwide plummeted and the distress in the financial industry spilled over into the real economy because extension of credit to businesses took a nose-dive; in this manner leading to worsening economic conditions in the global economy. Moreover, multiple countries had to intervene in their internal markets in order to prevent large systemically important organizations from collapsing, which put a huge strain on government budgets worldwide and came at an enormous cost to taxpayers (Brunnermeier, 2009). In this manner, the Global Financial Crisis has scarred the global economy imposing tremendous social costs on countries and citizens worldwide for over a decade. According to the International Monetary Fund (2017) the recovery from the disastrous crisis has been lackluster ever since, which shows the damage this crisis has done and how it has shackled the global economy.

In my Master thesis in Economics *Towards Financial Crisis Resolution and Prevention* I present a detailed analysis of the causes and inner workings of the Global Financial Crisis (Rumping, 2017). In that thesis I study a vast amount of economic literature on the origins and causes of the Global Financial Crisis in order to better understand the inner workings of the crisis and to produce policy solutions to prevent such an economic disaster from occurring in the future. While most articles concerning the origins and causes of the Global Financial Crisis emphasize one aspect of the crisis over others, all articles confirm that the crisis was caused by

a multitude of monetary, regulatory, technological and epistemic factors. In light of this economic research, the scope of my research in this thesis reveals itself. For completely lacking in the research by prominent economists like Pol (2012), Brunnermeier (2009), Gorton and Metrick (2012), and most other researchers is the role of morality in the financial industry leading up to the Global Financial Crisis and after its occurrence.

Why a discussion on the ethical dimension of the financial industry is relevant

One cannot help but notice that the economic assessments of the Global Financial Crisis by studying this crisis in terms of ‘morally neutral’ economical and political factors completely negate moral factors which could have contributed to the crisis. The lack of moral discourse within these studies is striking, particularly when compared to the opinions within the public debate and media on the causes of the crisis. The public debate is almost exclusively focused on how the immoral conduct of financial industry professionals caused the Global Financial Crisis. In the media the financial industry is depicted as a highly immoral industry and bankers are often portrayed as money hungry villains. For example, in popular movies on the financial industry like *The Wolf of Wall Street*, *Wall Street*, and *American Psycho* the typical banker is consistently portrayed as an immoral greedy character within a sick profit-oriented financial industry. As a consequence we the viewer are greatly disturbed and agitated by the actions of the banker and in extension by the organizational environment of the financial industry.

Our views of the erroneous financial industry have been further informed by cases of widespread questionable behavior and fraud within the financial industry which have been extensively covered by the media. Major recent examples of fraudulent and dishonest behavior in the financial industry were the Madoff investment Ponzi scheme, the manipulation of the Forex exchange rates, and the LIBOR rate manipulation where large financial firms were able to profit at a large cost to society. Moreover, many of these firms were not solely taking part in grand financial market manipulations, but were also defrauding or misleading smaller clients, like mortgage owners or clients purchasing insurance policies. In the period leading up to the Global Financial Crisis between 2001 and 2006 the issuance of so-called adjustable rate subprime mortgages skyrocketed in the United States (Kenc and Dibooglu, 2010). Financial firms were able to widely profit from these subprime mortgages while many low credit home owners were foreclosed upon and went bankrupt when the housing prices plummeted. In the Netherlands, clients were similarly misled by so-called *woeker polissen*, these investment-based usury insurance policies were highly profitable to financial firms because the costs to clients economic times were extremely high, while they

were marginally advantageous to clients during prosperous and detrimental to clients during worsening economic times. In turn, the Dutch Consumer Association estimated that the overall cost to society has been twenty to thirty billion euro's (Consumentenbond, 2018).

The omission of the ethical dimension by most researchers studying the Global Financial Crisis and other excesses of the financial industry contradicts the large emphasis the public debate puts on this dimension. Therefore, it is relevant to study this ethical dimension in order to analyze whether the omission of this dimension by researchers is well founded or whether this dimension can in fact shed light on these excesses within the financial industry.

The topic of research: moving towards a moral financial industry

To analyze the ethical dimension I will make use of the research by the moral philosophers Øyvind Kvalnes and Salvör Nordal (2018) who study the ethical dimension of the financial industry in Iceland in light of the Global Financial Crisis. The default of all three of Iceland's large commercial banks, Kaupthing, Landsbanki and Glitnir, in 2008 severely crippled its economy and led to soaring national debt. Kvalnes and Nordal state that both ethical and epistemic factors contributed to this crisis and that by discussing the ethical dimension they do not wish to diminish the role of epistemic factors. They specifically focus on how the normalization of questionable behavior within the financial industry in Iceland, and the financial industry in general, has contributed to the Global Financial Crisis. The normalization of questionable behavior is an ethical concept first introduced by Donaldson (2012) who observed that financial industry professionals over time became less sensitive to the moral problems related to questionable behavior and started to justify the acceptability of this type of behavior to themselves. In their research Kvalnes and Nordal assess whether questionable behavior and its normalization in the financial industry is caused by systemic or individual ethical failures. In other words, whether the organizational features of the financial system itself are flawed or whether the moral character of the individuals within the industry is flawed. They conclude that the systemic organizational features of the financial industry are the main cause for the normalization of questionable behavior and the emergence of questionable behavior in general. According to them failure in individual moral character cannot account for the widespread occurrence of questionable behavior in the financial industry, stating that there are some inherently immoral individuals in the industry just like in any other industry but not nearly enough.

In this thesis I endeavor to extend the framework erected by Kvalnes and Nordal by criticizing their distinction between the systemic circumstance oriented approach and the

individual character oriented approach. Specifically, I criticize the notion by Kvalnes and Nordal that a character oriented approach can exclusively be individual and not systemic in nature. The moral character of the banker can be thought of as systemic in nature when we analyze the prevailing morality of the character of the banker and even broader the prevailing morality of the character of Western man in general. To examine this I take a systemic character oriented approach based on a cultural historical perspective presented by the British moral and political philosopher Alisdair MacIntyre in his work *After Virtue* (1981). In this approach I study how a systemic weakening of the moral character in the financial industry and in Western society in general from the 1980's onwards by the emergence of our prevailing modern morality has contributed to the process of moral neutralization and normalization of questionable behavior within the financial industry.

Besides a systemic character oriented approach, I also take a systemic circumstance oriented approach to analyze how the current organizational features of the financial system which encourage questionable behavior have emerged. I assess that similar to the shift in our prevailing morality from the 1980's onwards at the same time a shift has taken place in how we generally think about economic and political matters in the West. By making use of the work *Preußentum und Sozialismus* (1920) by the German historical philosopher and cultural historian Oswald Spengler I study how during the 1980's Anglo-American capitalism with its English individualist mindset could surge in prominence spurred on by neoclassical economic thought and how this form of capitalism has been established as the main economic system governing the financial industry and industries in general. Moreover, I analyze how in response to the excesses leading to the Global Financial Crisis we have erected a counter-culture which opposes these individualist organizational features and aims to install more communitarian organizational features exhibited by Rhineland capitalism.

In summary, to further clarify the ethical dimension of the financial industry I study two broad shifts in our Western culture from the 1980's onward. I analyze both the systemic dimension of the organizational features of this industry by elaborating on the advance of the English individualist mindset, and the systemic dimension of the moral character of the banker by studying the displacement in our modern morality. By extending the framework by Kvalnes and Nordal in this manner, it becomes possible to establish an approach wherein we can bolster ethical behavior within the financial industry by ridding the industry of organizational features that spur on questionable individualist behavior and wherein we can strengthen the moral character of the banker by developing a normative professional ethics.

In this thesis I focus on these ethical problems within this industry, specifically posing the question: how can we establish a more moral financial industry?

In the first chapter of this thesis, I discuss the ethical framework erected by Kvalnes and Nordal (2018) and Luyendijk (2015) who take a systemic circumstance oriented approach to analyzing questionable behavior and ethical failures in the financial industry. Furthermore, I elucidate how questionable behavior of bankers is spurred on by the neoclassical economic principles of the banker's wafer-thin rule-based morality and I inspect how the organizational environment of the financial industry has contributed to this type of behavior.

In the second chapter, I take a systemic character oriented approach by analyzing the moral character of Western man in general and of the banker in particular. This analysis is heavily inspired by MacIntyre's elaboration on emotivism in his work *After Virtue* (1981) as his description of the rise of emotivism coincides with the advance of the financial industry and the emergence of the banker as a prominent character. I discuss the peculiar rise to fame of the iconic individualist banker within our culture in the 1980's and his sudden fall from grace spurred on by a communitarian counter-culture in the aftermath of the Global Financial Crisis. Inspecting how these factors have weakened the banker's moral character and made him less resilient to incentivized questionable behavior.

In the third chapter, in line with the systemic character oriented approach, I posit a normative professional ethics to strengthen the moral character of the banker against the corrupting influences of the financial industry's organizational environment by adapting Pellegrino's (1995; 2008) three-tiered ethical framework for the physician to the banking profession and by positing banking as a communitarian practice in line with MacIntyre's (1981) illustrations of virtues, goods, practices and institutions.

In the fourth chapter, I take a systemic circumstance oriented approach to uncover how the corrupting organizational environment of the financial industry emerged from the 1980's onward and how we can resolve this. I discuss how two different economic systems in the West have influenced the organizational features of this industry through an analysis of Albert's research on Anglo-American capitalism and Rhineland capitalism (1993). Moreover, I elaborate on the emergence of these two capitalist systems by analyzing them in relation to Oswald Spengler's theory on the two remaining souls of the Western peoples, the English soul and the Prussian soul, mainly expanded upon in his work *Preußentum und Sozialismus* (1920). I show that the corrupting organizational environment of the financial industry is mainly English in nature and that our current communitarian Prussian counter-culture with Rhineland characteristics opposes these corrupting influences and aims to resolve them.

I. The Financial Industry's Rule-Based Morality

Please allow me to introduce myself

I'm a man of wealth and taste

I've been around for a long, long year

Stole many a man's soul and faith

{Jagger and Richards, 1968}

Our first order of study is the status of the ethical dimension within the financial industry. In the introduction it has already been made apparent that questionable behavior like fraud, dishonesty and manipulation is widespread within the financial industry. In light of what some would deem unethical behavior of financial industry professionals, the question arises how this type of behavior is spurred on within the financial industry and whether this is due to individual or systemic ethical failures. In other words, is the financial industry or the professional within this industry inherently immoral or is unethical behavior (unintentionally) incentivized by the ethical dimension within the industry?

In order to answer this question in this chapter I specifically focus on research by Donaldson (2012), Kvalnes and Nordal (2018), and Luyendijk (2015) and elaborate on the causes of the widespread occurrence of questionable behavior within the financial industry.

§1.1 The Ethical Dimension of the Financial Industry

Donaldson (2012) discusses the ethical dimension of the financial industry in order to uncover whether the lack of ethics had any part to play in causing the Global Financial Crisis. He states that most ethical criticisms by business outsiders of questionable behavior in the financial industry like the criticism that Wall Street is greedy, immoral or irresponsible, are unhelpful because the question of why ethical failures occurred in this industry often remains unanswered. He uncovers three patterns within the ethical dimension of the financial industry, which he assesses to be the ethical roots of the Global Financial Crisis.

The first ethical root is what he calls “paying for peril,” which entails that the financial industry in general is focused on gain in the short-term in exchange for suffering in the long-term. This ethical root can be uncovered on many different levels within the financial industry, for example financial firms maximizing shareholder wealth on the short-term or bankers being paid extraordinary salaries and bonuses based on short-term performance. In turn this incentivizes excessive risk-taking and unethical behavior in order to gain in the short

term, while the industry or society suffers due these risks in the long-term. Economists call this asymmetry moral hazard because bankers and the industry in general act on the premises that they reap all the rewards while carrying none of the burden of the risks. The second ethical root is what Donaldson calls “the normalization of questionable behavior,” which I already shortly discussed in the introduction. The third ethical root, Donaldson uncovers is a “tech-shock,” he states that radically innovative technologies are often difficult to regulate by financial authorities due to their complexity and opacity. Moreover, the ethical dimension of new technologies is often unclear to most parties involved, including the bankers themselves. A clear example of such a shock is the development of debt securitizations, which the economist Pol (2012) considered one of the main causes of the Global Financial Crisis.

While Donaldson distinguishes these ethical roots to analyze them separately, it is important to notice that in practice they often occur at the same time and influence each other. For example in the case of bankers pushing clients to invest in securities in order to make a short-term profit, all three ethical roots are combined and thus each one is relevant. However, in line with Kvalnes and Nordal (2018) I specifically inspect Donaldson’s concept of “the normalization of questionable behavior” in this section, as I concur that we can extend this concept and connect it to Luyendijk’s (2015) uncovering of the neoclassical economic principles of the financial industry and the incentivization of questionable behavior within this industry.

§1.1.1 The normalization of questionable behavior within the financial industry

Kvalnes and Nordal (2018) study how the financial sector in Iceland was affected by the normalization of questionable behavior prior to the Global Financial Crisis and state that this study can without much difficulty be expanded to cover the global financial industry. However, before I discuss their research, it is essential to specify what is intended by the financial industry in this respect as this is not further expanded upon by Kvalnes and Nordal.

A specification of the financial industry and the banker

The financial industry as a whole is an enormous industry with a multitrillion dollar revenue and consists of a large variety of institutions all offering different services to satisfy various financial needs, for example: insurance companies insure individuals against the risk of loss; retail and commercial banks offer financial products to individual clients and businesses like various deposit accounts, mortgages, credit cards and other loans; investment banks do not accept deposits but aid clients in raising capital by issuing securities, assist in mergers and

acquisitions, and provide services like the trading of derivatives; or brokerage firms which assist clients in the transaction of various investments like securities, bonds, or stocks. Of course this list of financial institutions is far from exhaustive, but is indicative of the wide variety of services offered within the financial industry. Moreover, financial firms can vary enormously in size from a BNP Paribas which employs approximately 189,000 employees to a small-town bank which only employs a few employees.

In light of this wide variety, it is of paramount importance to specify which type of institution I address in this thesis. Kvalnes and Nordal base their discussion of the financial sector in Iceland on the Report of the Special Investigation Commission presented on the 12th of April 2010. This commission specifically studied the ethical behavior of bankers within the three large private internationally-oriented banks in Iceland, namely Kaupthing Bank, Glitnir, and Landsbankinn. The ethical dimension Kvalnes and Nordal discuss in relation to these Icelandic banks can be related to similar banks in other countries as well, for example Luyendijk (2015) discusses the ethical dimension in relation to banks in the financial sector of London, called the City, and Donaldson (2012) discusses the three ethical roots of the financial crisis in relation to banks on Wall Street in New York.

In this thesis I posit the global financial industry as those large internationally-oriented financial firms which typically reside in the financial centers of their respective countries like Wall Street in New York, the City in London, or the Zuidas in Amsterdam. More specifically I address large commercial and investment banks like the three mentioned Icelandic banks, JPMorgan Chase, Goldman Sachs, ING, Lehman Brothers and numerous others alike. These financial firms work at the cutting edge of finance and can be particularly prone to Donaldson's (2012) tech-shocks. For example, these firms were most closely involved in the banking activities which caused the Global Financial Crisis like the securitization and resecuritization of subprime mortgages; which Pol (2012) denoted as a main cause of the crisis. Moreover, as will be made clear in the final section of this chapter, these firms were extraordinarily short-term oriented and paid for peril to a large degree.

In line with their lacking specification of Iceland's financial sector, Kvalnes and Nordal do not specify the type of banker they discuss. The bankers implied in the discussion by Kvalnes and Nordal are specifically those bankers who work at large commercial internationally orientated banks like the three Icelandic banks they inspect. These bankers often hold job titles like vice president, director, managing director, associate, analyst or accounts manager, and their work mainly consists of bartering or aiding in the bartering off multimillion dollar investment deals or trades with clients. Kvalnes and Nordal do not

distinguish between the different practices these bankers execute or their rank within the organization, as they assess that essentially all employees within these specific firms are liable to the normalization of questionable behavior.

Now that it has been made clear which type of financial firm and banker I discuss when I address the financial industry within this thesis we can further deliberate on how questionable behavior has been normalized within this industry.

Normalization of questionable behavior by moral neutralization

According to Kvalnes and Nordal (2018) the normalization of questionable behavior within the financial industry can be best explained by making use of a framework based on the process of moral neutralization. They construe this framework in the following order: a banker encounters some form of moral dissonance in his¹ practice which can lead to neutralization of his moral principles, which in turn can lead to normalization of questionable behavior.

Moral dissonance is described by Donaldson (2012) as a queasy feeling one gets when one performs a particular action which essentially is in contrast to one's moral beliefs. As an example Kvalnes and Nordal discuss a compliance officer who encountered this queasy feeling when he was ordered by his superiors to sign some documents which he perceived to be questionable. Because people in general want to have a positive and moral self-concept they do not enjoy this moral dissonance and aim (intentionally or unintentionally) to nullify this feeling. The nullification of moral dissonance can either be achieved by stopping the particular activity which causes the feeling or by adjusting one's moral views in such a manner that the activity no longer seems questionable through a process of moral neutralization.

Kvalnes and Nordal state that in the financial industry moral neutralization took place on a grand scale, by means of this process bankers slowly adjust their moral views in order to resolve moral dissonance. In other words, bankers knowingly or unknowingly convince themselves that certain questionable actions like the manipulation of stock prices or the overselling of complex financial products to clients are in fact acceptable; as a consequence these questionable actions have become normalized in the financial industry. Kvalnes and Nordal discuss six techniques of moral neutralization which bankers employed to absolve moral dissonance and which led to the widespread normalization of questionable behavior in the financial industry leading up to the Global Financial Crisis.

¹ For clarity and brevity sake I will use the pronoun 'he' in the context of actors which can be interpreted to be both male and female.

First of all, bankers denied individual responsibility by claiming that they were simply following rules and that everyone else was doing the same or that financial authorities should have stepped in if they considered the actions of the bankers unwarranted. Secondly, bankers denied that there was any real injury done to others as a consequence of their specific actions by professing that everyone gained from the wealth produced by their actions and that likely no one individually would be hurt as the risks taken were distributed across the financial system. Thirdly, bankers denied that there is a specific victim because leading up to the Global Financial Crisis clients were desperate for the dubious products offered by financial firms and therefore are themselves to blame. Fourthly, bankers condemned those who condemned them like critics of the industry by professing that the critics were ignorant about the facts and thus that these critics were wrongfully condemning the financial industry. Fifthly, bankers appealed to a higher loyalty by claiming that they were just loyally doing their jobs or that loyalty to their respective companies and superiors directed them to act in these manners.

Sixthly and finally, Kvalnes and Nordal make an addition to this framework by demonstrating that bankers made use of another neutralization technique, namely by claiming that they breached no rule. Bankers in general assert that actions are permissible when the action does not breach a specific rule, whether it be a legal rule or a rule explicated in codes of conduct. According to Kvalnes and Nordal this neutralization technique was used on a large scale within the financial industry and in a way was an industry standard of looking at what was permissible behavior and what not. In turn, when some form of behavior was not specifically prohibited by a rule, it was deemed permissible. Moreover, bankers actively worked to interpret the rules in such a manner that questionable behavior was not found to be in breach of the rules; exploiting the rules in this manner can be denoted as a form of loophole ethics. The normalization of questionable behavior could take place on a large scale within the financial industry because of these six moral neutralization techniques.

Kvalnes and Nordal assess whether the ethical failures of the financial industry were systemic or individual in nature; in other words, whether there was a failure in the organizational environment of the industry or a failure of moral character of the banker. They state that “weakness of moral character among the decision makers is an implausible main factor” (2018, p. 11). According to them the widespread questionable behavior in the industry can be largely contributed to weaknesses in social structures and business culture, which enabled substantial moral neutralization to take place. Kvalnes and Nordal state that the industry deals with a systemic problem a so-called case of a bad barrel and not with a problem of individuals a case of bad apples; and that the bad barrel needs to be fixed. The

organizational environment of the financial industry is then the primary blame for misbehavior within the industry and therefore needs to be addressed in order to create a more moral financial industry.

§1.1.2 Not immorality or amorality but a wafer-thin rule-based morality

How the process of moral neutralization could be effectuated on such a scale within the financial industry and how its organizational environment contributed to this process can be further clarified by discussing Luyendijk's (2015) anthropological assessment of the industry. In his research he interviews financial industry professionals in the financial centre of London, the City, which he elaborates on in his book *Dit kan niet waar zijn: onder bankiers*.

During his extensive research into the culture of the financial industry in London he exposes a pervasive characteristic of this culture, namely the apparent lack of any what is normally deemed moral discourse within the industry at all. He states that this does not entail that bankers always act immorally, but that their professional actions should never be guided by any moral principles. Bankers should act in a morally neutral or amoral manner, in other words without taking into account whether an action is good or bad in a moral sense. Luyendijk illustrates how a 'professional' banker is essentially a person where the process of moral neutralization is fully effectuated; this banker no longer questions the morality of an action and moral dissonance in his case has fully dissipated. Instead of principles based in moral theory like utilitarianism or deontology, as Immanuel Kant's categorical imperative "Handle so, dass du die Menschheit sowohl in deiner Person, als in der Person eines jeden Anderen jederzeit zugleich als Zweck, niemals bloss als Mittel brauchst" (1870, pp. 53-54), the financial industry is governed by principles like 'act within the bounds of the law' and 'act to maximize shareholder value.' These principles of the financial industry find their origin in the surge of neoclassical economic theory in the latter half of the 20th century. Milton Friedman, one of the main proponents of neoclassical economic thought, succinctly articulated the neoclassical principles of business and more specifically the financial industry, by stating that "in such an [free] economy, there is one and only one social responsibility of business — to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud" (1962, p. 133). Furthermore, he claims that the objective of business should be to maximize shareholder value within the bounds of the law in order to preserve a free economy.

According to Luyendijk the amorality of financial industry professionals becomes apparent when considering their extensive use of *caveat emptor* in business transactions, which translates from Latin into 'let the buyer beware'. The principle of *caveat emptor* entails that the buyer of a product or service is responsible for information gathering in order to avoid purchasing a dud; on the other hand the seller is required to provide solely the legally obligated information. This principle in line with the moral neutralization technique of breaching no rules then allow for actions which would in many moral systems be considered wrong like lying, misleading or manipulating, as long as it is within the bounds of the law. In this manner, it is for example possible to legally sell highly complex and innovative financial products without providing sufficient information about the risks involved in buying these financial products. In fact, this frequently occurred in the years preceding the Global Financial Crisis, according to Gorton and Metrick (2012) many opaque, highly complex and innovative financial products related to mortgages like mortgage backed securities or collateralized debt obligations were developed and sold to investors without them being able to uncover the enormous risks associated with these products, a so-called tech-shock by Donaldson (2012). In turn when the mortgage market started to deteriorate in 2007 when housing prices plummeted these risks materialized and many investors in these products were overtaken by the ensuing destructive turmoil. Barack Obama has stated about these actions of bankers prior to the Global Financial Crisis that "a lot of that stuff wasn't necessarily illegal, it was just immoral or inappropriate or reckless" (Mayer et al., 2014, pp. 517). However, while industry outsiders might be outraged by these immoral, inappropriate or reckless actions, bankers who have undergone a process of moral neutralization are solely concerned with the first part of Obama's sentence, i.e. that their actions were not illegal.

Luyendijk concludes that the banker amorally adheres to the principles of the financial industry which in line with Kvalnes and Nordal leads to a process of moral neutralization. However, it is quite misleading to call the banker amoral when he adheres to these neoclassical economic principles like 'act within the bounds of the law' or 'act to maximize shareholder value,' because following these principles represents a certain, be it wafer-thin, morality. The banker's thin morality is a rule-based morality, one which essentially entails that the banker should stay within the rules of the game. Calling this rule-based morality amoral would bereave the banker from his moral agency and from his moral responsibility. Deciding to maximize the shareholder value is in fact a moral choice, as the banker chooses to forego the interests of other parties who he should be serving like his clients and society in general. The principles of this thin morality then compel bankers to act and think with the interests of

the shareholder in mind. Moreover, to forfeit his moral responsibility the banker can use a moral neutralization technique by claiming that in accordance with neo-classical economic thought this focus on maximizing shareholder value ultimately is to the benefit of society in general. However, many actions which maximize shareholder value within the bounds of the law, like overselling complex financial products, are not to the benefit of society in general or to the banker's clients and this questionable behavior often does bring about moral dissonance in the banker.

A financial industry professional who developed complex financial products which were used to mislead clients was interviewed by Luyendijk and touched upon his own questionable behavior by stating that "it is the story of doctor Faust. [...] I sold my soul for worldly riches. The price the devil asked was my moral bankruptcy" (2015, pp. 181-182, translated from Dutch). This professional notices that his actions were dubious and experienced some moral dissonance in light of these actions. He was not an inherently immoral person from the outset but the rule-based moral attitude within the financial industry pressured him to act questionably and the moral neutralization technique of claiming to breach no rules has allowed his behavior to be normalized. However, in hindsight this professional notices that following the neoclassical economic principles of the industry explicated in the rule-based morality has negatively affected his moral attitudes. In this manner the principles of the financial industry have contributed to the widespread moral neutralization and normalization of questionable behavior within the industry.

§1.1.3 The organizational environment of the financial industry

The morality of staying within the rules of the game has not only shaped the moral attitudes of the banker but the principles explicated by this morality based in neoclassical economic thought have also affected the organizational environment of the industry. Many organizational features which have been implemented in the financial industry find their basis in neoclassical economic thought, like a short-term profit oriented mindset and flexible employment relations, which can in fact encourage questionable behavior, like self-interested or manipulative behavior. In turn, based on the systemic circumstance oriented approach of Kvalnes and Nordal (2018) this organizational environment induces moral dissonance by incentivizing questionable behavior and allows moral neutralization to take place.

According to Dallas (2012), the financial industry by and large favors short-term thinking over long-term thinking. Professionals in this industry have a short-term mindset and this applies to both lower level employees like traders and investors, and higher level employees

like chief executive officers (CEOs). A short-term orientation by financial industry professionals can be highly damaging to the industry in the long run, because earning large short-term profits often comes at a cost to long-term profitability in line with Donaldson's (2012) argument on paying for peril. Mainly because focusing on maximizing short-term profits generally entails taking more risk and on the other hand forgoing costly but important long-term investment projects. Dallas states that the financial industry's excessive focus on short-term profitability without taking long-term consequences into account played a considerable part in causing the turmoil of the Global Financial Crisis. By studying Luyendijk (2015) we can further clarify the prevalence of this short-term thinking by looking at two structural aspects of the financial system he discusses, namely: shareholder value maximization and zero job security.

Firstly, the financial industry is completely focused on achieving shareholder value maximization as it is one of its principles. By maximizing their share prices firms show the financial world that they are doing well and thus that it would be wise to invest in them. In this manner, shareholder value maximization has become the standard for measuring how well a business is doing. However, focusing on shareholder value maximization entails that financial firms should fixate on short-term profits because these profits are the major driver of share prices. In other words, focusing on shareholder value maximization encourages short-term thinking and risk taking which lowers long-term profitability and sustainability of the firm.

Secondly, Luyendijk states that the financial industry embodies a culture of zero job security. Financial industry professionals can be fired at anytime and anywhere often because of no particular reason other than the fact that some employees have to be dismissed in order to cut costs. Moreover, many financial firms execute a yearly *cull*, in other words firing the lowest performing percentile of employees. According to Luyendijk this *hire-and-fire* approach induces a climate of fear in the workforce. Moreover, it encourages financial industry professionals to start thinking on a short-term basis, because the duration of employment is uncertain to them. Brauer (2013) confirms this theory by showing that self-interested CEOs become increasingly more short-term orientated when their tenure decreases in duration, while longer tenure durations induce CEOs to become more long-term oriented.

According to Luyendijk zero job security additionally encourages self-interested individualist behavior in financial industry professionals. Zero job security produces a fiercely competitive environment both external and internal to the company. Based on self-interest financial industry professionals are willing to go all the way in order to steal away a deal from

a competitor or make a risky but high-payoff investment. Firstly because the professional's income is primarily performance-based and secondly because a big deal or high payoff investment will increase his chances of surviving the next cull. Moreover, to attract the best banking employees for the job a bonus culture has been established which incentivizes individual merit and excessive salaries have become the norm. Financial industry professionals are fiercely competitive with co-workers because their colleagues are their main competitors in the next cull. In other words, zero job security induces an environment with little cooperation between colleagues and highly egotistical behavior. Furthermore, the financial industry is riddled with situations where self-interest does not correspond to the interests of the parties represented; for example when a banker's fiduciary duty obligates him to disclose certain information to his client, while it is in his own best interest to not disclose this information. These so-called conflicts of interest can morally be very problematic for bankers because in some cases acting against one's own self-interest and in the interest of the client can literally mean that one loses his job. In this manner we can see that this emphasis on self-interested behavior can lead to questionable and sometimes even illegal outcomes.

Shareholder value maximization and a culture of zero job security have then led to a situation in the financial industry where short-term thinking, individualist self-interest and the manipulation of conflict of interest situations have taken the upper hand. In other words, questionable behavior is incentivized in the financial industry while moral neutralization has normalized this behavior in the industry.

II. The Tragic Tale of the Emotivist Banker

Each moral agent now [speaks] unconstrained by the externalities of divine law, natural teleology or hierarchical authority; but why should anyone else now listen to him?

{MacIntyre, 1981, p. 82}

In the previous chapter it has been made clear that the widespread occurrence of questionable behavior within the financial industry can for a large part be attributed to the organizational environment of the financial industry which has enabled moral neutralization and the normalization of this questionable behavior to take place. The principles of the financial industry first formulated by neoclassical economists in the latter half of the 20th century have shaped the organizational features of the industry and incentivized bankers to act questionably. Both Kvalnes and Nordal (2018) and Luyendijk (2015) emphasize a systemic circumstance oriented approach over an individual character oriented approach in their discussion of the ethical failures within the financial industry. They conclude that the ethical failures within the financial industry can mainly be blamed on systemic circumstances in the industry and not on the individual failures of moral character in the industry. Therefore, they claim that a character oriented approach to elucidate the ethical problems within the financial industry will likely yield few results.

In this chapter I take a cultural historical perspective to extend the model of Kvalnes and Nordal, and Luyendijk by criticizing their distinction between an individual character oriented approach and a systemic circumstance oriented approach, and their exclusion of a systemic character oriented morality. I assess that we can in fact take a systemic character oriented approach to further analyze the ethical failures of the financial industry by making use of MacIntyre's (1981) theory on the rise of emotivism within Western society, particularly from the 1980's onward. Moreover, I discuss how the Global Financial Crisis has affected the character of the banker and the moral attitudes of our Western culture in general.

§2.1 Emotivism: a Morality of Modernity

In the latter half of the 20th century we can perceive a rise in neoclassical economic and political thought, by some denoted as neoliberal, which has nested itself in the political and economical consciousness of the West. As discussed in the previous chapter this form of thought emphasizes businesses to act based on neoclassical economic principles spurred on by a thin rule-based morality. MacIntyre (1981) notices in his work *After Virtue* a broader shift

in the moral mindset of Western society in general especially during that time period, in congruence with the rise of neoclassical economic thought. He assesses that our current moral debate is in disarray and that this can be attributed to the abstract conceptual moral schemes we adhere to in Western society. According to MacIntyre modern moral philosophy has failed to rationally establish its abstract moral principles and therefore all moral philosophy in the West is based on a pretence rationality. In turn these abstract non-rational moral schemes have contributed to the rise of a meta-ethical system called emotivism, wherein abstract moral principles which are for example utilitarian or deontological in nature are manipulatively used to elicit emotive responses. In other words, the selection of moral principles we propagate is currently primarily based on subjective choice and not on rational argument; which makes us vulnerable to manipulation by others and forces us to act manipulatively ourselves. In *After Virtue* MacIntyre sets out to analyze this moral crisis in Western Society and offer resolutions.

Kvalnes and Nordal (2108) equate a character oriented approach with an individual approach, i.e. ethical failures are caused by bad apples, and equate a circumstance approach with a systemic approach, i.e. cases of bad barrels. I believe that these equations are false at least in the sense that we can in fact take a systemic character oriented approach, by studying the moral character of bankers and people in Western society in general and analyzing how this affects the framework erected by Kvalnes and Nordal. In this section I take such a systemic character oriented approach to further elucidate the ethical failures within the financial industry by discussing MacIntyre's elaboration on our modern moral discourse. I show how abstract moral philosophy can be framed as the source of confusion in our moral debate and the weakening of the moral character of Western man in general. Furthermore, I carry out this systemic character oriented approach on the level of the banker's character in particular to reveal emotivist manipulative tendencies have influenced this character.

§2.1.1 A systemic character approach based on an analysis of emotivism

MacIntyre (1981) initiates his assessment of our modern situation by uncovering the characteristic tendencies of modern moral debates which make these debates ambiguous and rationally interminable; and by dissecting these tendencies in light of the meta-ethical theory of emotivism. The main tendencies which make modern moral debate ambiguous are participants in the debate simultaneously appealing to personal subjective criteria and impersonal objective criteria; and lacking historical awareness when using moral terminology.

Modern moral debate is characterized by a conceptual incommensurability which leads to this debate being irresolvable by rational moral argument. The moral premises one upholds

cannot be argued for but depend on personal preference, i.e. the choice for these premises is subjective in nature and does not appeal to an objective standard. This arbitrariness does not solely emerge in public moral debate, but more disquietingly in one's internal moral debate as well. In this manner, moral debate is bogged down in "pure assertion and counter-assertion" of one's arbitrarily chosen private moral beliefs (1981, p. 9). However, modern moral debate is conducted as if participants are arguing from a perspective of objective impersonal standards, i.e. suprapersonal standards which should hold for all moral argument. In other words, participants interchangeably appeal to subjective personal standards and objective impersonal standards. Participants appeal to these subjective standards by asserting that the other person should 'do so and so' because 'I wish it'. On the other hand participants appeal to objective ethical standards by asserting that the other person should 'do so and so' because of this or that ethical theory, like utilitarianism or deontological ethics. The final tendency in modern moral debate is a lack of historical and sociological awareness when using moral terminology. For instance, the Aristotelian term 'virtue' is used without an understanding of Aristotle's sociological conditions in the Greek polis or the term 'utility' without Bentham's sociological conditions in 18th century England in mind. According to MacIntyre a moral philosophy is not devised in isolation from its sociological context; therefore we should not abstract moral terminology from its sociological context.

Emotivism in light of the modern moral disarray

According to MacIntyre we can explain the current moral predicament we are in by assessing that abstract modern moral philosophies like utilitarianism and deontology are based on a pretence rationality, because moral philosophers have failed to provide these theories with a proper rational foundation. In turn, modern man acts as if these moral philosophies are objective in nature, while the adoption of moral principles is currently in fact subjective in nature. The selection of a particular moral scheme is neither rational nor decisive; in this manner modern moral debate has become subjective. MacIntyre states that in our times the adoption of our moral principles is guided by the meta-ethical system of emotivism. MacIntyre discusses the moral theory of emotivism in three ways: as a meta-ethical theory; as a meta-meta-ethical theory; and as a sociology.

Emotivist moral theory is a meta-ethical theory because it essentially states that what is morally good or bad can only be expressed by referring to the moral emotions evoked in light of these good or bad things. In other words, an emotional response of moral approval entails that something is morally desirable, while a response of moral disapproval entails the

opposite. For example, when one encounters a situation wherein someone acts morally a feeling of moral approval will arise, for example when someone tells the truth, while when someone lies a feeling of moral disapproval will arise. Modern man often believes that he is appealing to objective ethical standards, while in fact his embracement of these so-called objective ethical standards has been a subjective choice without a clear rational argument for this choice besides the feeling of moral approval. Therefore, there is no objective true or false in moral debate and in turn the debate has become rationally interminable.

Emotivism can also be viewed as a meta-meta-ethical theory because it proclaims that all other meta-ethical theories like utilitarianism and deontology are adopted because of emotivist reasons. While utilitarian and deontological philosophers aim to rationally base their theories on concepts like utility and rights, emotivists claim that these philosophers fail to give a rational foundation for their theories and concepts. According to emotivists these utilitarian and deontological philosophers in actuality base their theories on feelings of moral approval and disapproval in line with emotivist theory and work to build a moral theory around these feelings. In turn, utilitarian and deontological moral theories are in essence emotivist in nature.

According to MacIntyre, every moral philosophy presupposes a sociology and can be embodied in social structures. However, he states that modern moral philosophers have lost sight of this crucial part of moral philosophy. To truly understand how emotivism influences modern man and the banker we have to grasp the social content of this moral philosophy expressed in a sociology.

MacIntyre assesses that the main social content of emotivism is concerned with manipulative and non-manipulative social relations. Specifically he states that “emotivism entails the obliteration of any genuine distinction between manipulative and non-manipulative social relations” (1981, p. 27). While modern man acts as if he propagates rational moral principles there are in fact no impersonal rational criteria in our modern times one can appeal to. Therefore moral debate becomes a manipulation game wherein one tries to persuade others of the verity of one’s views in pursuance of certain private and often individualist ends. In an emotivist ruled debate the goal is to make emotional impressions through moral statements in order to manipulate the other to adopt your view. Whereas prior moral philosophies heavily emphasized treating other human beings in a non-manipulative manner, i.e. treating them as an end in itself, emotivism encourages people to treat others in a manipulative manner, i.e. treating them as a means or instrument to align to your will. In social relations this entails that persons involved do not acknowledge each other as ends in themselves, as Kant would say they do not recognize the humanity in one another, and solely

see the other as a means to achieve their own individual and subjective end. On the other hand, one tries to avoid being manipulated by others in our emotivist culture; in turn, moral debate and our social relations have transformed into a game of chess wherein one tries to out-manipulate the other.

MacIntyre is very negative about emotivism being a correct moral theory due to its non-rational and subjective nature. One could argue that MacIntyre puts (too) much emphasis on critiquing a moral theory which is no longer seriously adhered to by any moral philosophers; moreover, many moral philosophers actually agree that emotions play some part in morality and would state that this critique largely ignores this perspective. While MacIntyre's discussion of our modern moral debate might come across as over emphasizing the importance of emotivism in this debate, since moral agreement is often reached without manipulative tactics and many a time seemingly based in rational argument; it is certainly the case that there are a large number of instances in our moral debate where the differences in moral views based on utilitarianism, deontology or justice ethics seem rationally insurmountable and manipulative emotive tactics are employed to influence seemingly subjectively chosen moral views.

One example of irresolvability and manipulation in our modern moral debate is the current debate on abortion rights which most explicitly ensued in the United States where the tensions between so-called pro-life, those in favor of restricting abortion rights, and pro-choice advocates, those in favor of more lenient abortion rights, have surged among the general population and politicians (Lopez Torregrosa, 2011). Abortion is legal in all the states of the United States; however the specific legislation regarding abortion varies widely. When states move to make abortion rights more lenient or extend funding to Planned Parenthood this sparks outrage amongst those who call themselves conservatives and are generally pro-life, while it is applauded by those calling themselves progressives. On the other hand, legislators who work to restrict abortion rights and President Trump who is currently pushing to repress those rights as well are scolded by pro-choice advocates and praised by pro-life advocates. However, as MacIntyre has stated in relation to the irresolvability of modern moral debate, the contradicting moral principles where pro-life and pro-choice advocates base their arguments on are subjectively selected without a rational foundation. Pro-life advocates argue from a deontological position by upholding the right to life without exception while pro-choice advocates argue for a utilitarian position wherein a female should be able to choose what she wants to do with her body and the unborn baby in order to maximize her happiness and limit the suffering of the baby. Because these principles cannot be rationally argued for due to their lack of a rational foundation, participants in the debate manipulate others and

attempt to evoke moral feelings of approval to assert the validity of their position. For example, in North Dakota a pro-life anti-abortion group handed out tiny rubber fetuses, which reflect the size and stature of an aborted fetus, in order to evoke feelings of empathy with the unborn; as one pro-life advocate states that “No other item that we hand out has the amazing effect that these fetal models have — instant attachment to the unborn!” (Wing, 2013). On the other hand, pro-choice advocates try to evoke similar feelings by showing the dire situations of pregnant rape or incest victims. In turn, an endless back-and-forth of manipulative arguments ensues without any prospect of rational resolve in this debate.

How modern morality has made Western man more prone to moral neutralization

The rational interminability of modern moral debate due to the adherence to abstract non-rational moral theories has weakened the moral resolve of people in Western society and has made them liable to emotivist manipulation. As the adherence of some moral principles over others is primarily based on subjective emotive choice and not on rational argument, people can be easily swayed to adopt certain moral principles over others. In his research MacIntyre (1981) primarily focuses on manipulative tactics by others to influence the moral principles we adhere to. However, we can situate this weakened moral character of Western man in the ethical framework erected by Kvalnes and Nordal (2018) to show that he has also been made more vulnerable to influencing and rationalizing his moral principles himself through moral neutralization techniques.

The process of moral neutralization which is induced by continual exposure to situations causing moral dissonance can be greatly facilitated by this weakened moral character. In essence the strength of one’s moral character determines the ease with which the process of moral neutralization can take place. When one has a strong moral character firmly believing in one’s moral convictions for example by basing them on rational argument, the process of moral neutralization will likely very slowly take hold. A person with such a character when faced with moral dissonance will probably refuse to perform the action causing the moral dissonance or will do so reluctantly. Only after a long process of moral neutralization will this character adapt his moral principles in such a manner that moral dissonance is no longer experienced when performing questionable behavior. On the other hand, a person with a weak moral character believing in one’s moral convictions by basing them without rational argument on subjective choice, will likely be more easily swayed by the process of moral neutralization. When one has a weak moral character it becomes more effortless to adapt

one's moral convictions in such a manner that moral dissonance is avoided when performing questionable behavior.

When modern man with his weakened moral character enters the financial industry he is firmly gripped and swayed by the process of moral neutralization spurred on by the organizational environment within the industry. Moreover, the wafer-thin rule-based morality within the financial industry does not offer much additional resistance against this process. The non-rational nature of our morality has made people in society in general more vulnerable to the process of moral neutralization and in the financial industry where this process takes place the banker is primarily affected. When the banker encounters an instance of moral dissonance, his weakened moral character allows him to more easily adapt his moral views in order to take away this queasy feeling. Consequently, the process of moral neutralization is executed more rapidly and questionable behavior is normalized on a large scale. Kvalnes and Nordal state that the financial industry mainly deals with a problem of bad barrels, while from my systemic character oriented argument follows that the financial industry deals with bad barrels filled with apples considerably prone to rotting.

In light of the discussion on emotivism and our current moral condition, we can also demonstrate why it is challenging for financial industry outsiders and academics to formulate moral arguments which can denounce the rule-based morality of bankers based in neoclassical economic thought. The critics of the principles of the financial industry are imbedded in the same emotivist setting as the bankers. In turn, the moral arguments put forth by these critics are generally non-rational in nature. Therefore, the financial industry can put forth other non-rational arguments to compete in this moral debate. As MacIntyre states the “form of [our modern] moral utterance provides a possible mask for almost any face” (1981, p. 129). In our age of non-rational morality bankers can argue for their principles based in economic theory while critical moral argument cannot rationally counter these principles. As a consequence of this incommensurability, no common ground can be reached between the financial industry and its critics, and the banker can proceed with his normalized questionable practices.

§2.1.2 The Banker in relation to the modern characters of emotivism

As has been discussed, the moral character of modern man in general has been systemically weakened by the modern disarray of non-rational abstract moral theories and has become more prone to emotivist manipulation; thus this man is considerably susceptible to the process of moral neutralization within the financial industry. However, besides by weakening the moral character of Western man in general, emotivism as a sociology has specifically

affected the character of the banker as well. MacIntyre (1981) states that every moral theory presupposes a sociology. Emotivism is no exception to this statement and unveils itself in the social sphere by dissolving the difference between manipulative and non-manipulative social relations. According to MacIntyre the social embodiment of a moral theory can be made vividly apparent by considering the so-called stock characters of a culture, which are moral reference points. In this section I argue that the iconic ‘bad apple’ type of banker has become precisely such a reference character and that this negatively affects the character of regular bankers.

The social embodiment of a moral theory by its characters

MacIntyre (1981) states that he intends the stock-characters to be more than just general social roles played out by certain individuals within a culture. Characters in his sense perform special social roles induced by the morality of the time, in a sense embodying this morality in their actions, intentions and beliefs; making them the moral representatives of their culture. Furthermore, the word ‘character’ entails a link between dramatic and moral associations; this link with drama is important according to MacIntyre because stock characters allow us to understand the possibilities of the social plot and provide a means to interpret the behavior of actors within the plot of the times. In a character the moral beliefs of the individual and the moral beliefs of the social role are combined, i.e. the individual embodying the character is fully invested in the special social role he executes. This fusion of the personality and the social role is essential for the character, because he is an individual viewed by others within a culture as a moral frame of reference.

Individuals within society evaluate and understand themselves by referencing the stock characters, because these provide the individuals with a moral and cultural ideal. However, this does not entail that characters are uncritically revered within their culture, because their place in the moral spotlight makes them a prime target for criticism; “it is partly because they provide focal points for disagreement that they are able to perform their defining task” (MacIntyre, 1981, p. 36). The critical discussion surrounding their moral position counter-intuitively reinforces the notion within a culture that the character is a moral reference point for the individual to define their own character in relation to.

The Banker as a modern emotivist character

The Rich Aesthete, the Manager, and the Therapist are the three modern characters MacIntyre discusses which are social embodiments of emotivism. However, according to him

these three are not the only modern stock characters by stating that “their numerous kindred occupy almost all the available culturally recognizable roles; the notions of the expertise of the few and of the moral agency of everyone are the presuppositions of the dramas which those characters enact” (1981, p 298).

MacIntyre does not discuss the financial industry or the banker in his elaboration on our emotivist inspired culture; nonetheless, I will argue for an extension of his analysis of the modern stock characters and declare the character of the Banker as one of their kindred.² In this character of the Banker, I focus specifically on the iconic ‘bad apple’ type of banker. Thus, when I speak of the Banker as this iconic character I do not mean the regular Joe working in the nearby town banking office from 9 a.m. to 5 p.m., all the while pouring over some spreadsheets to approve small business loans. On the contrary, the Banker I discuss in this sense is the typical flashy larger-than-life investment banker who earns a generous salary while putting in sixty to eighty hour workweeks at some large financial firm on Wall Street or in the City and who spends most of his extravagant salary on equally extravagant gadgets, apartments and vacations. This Banker is both revered and despised by modern man and can be viewed in many modern movies like *The Wolf of Wall Street*, *Wall Street*, and *American Psycho*. Moreover, he can be embedded in MacIntyre’s assessment of the modern characters because like the other three characters he is an embodiment of emotivism, a dramatic character and a moral point of reference for modern man. As a modern character the Banker can be put into perspective by viewing him as a fusion of the characters of the Rich Aesthete and the Manager, while also differing slightly from both the Rich Aesthete and the Manager. In reference to these two characters I substantiate the character of the Banker.

In many ways the Banker is similar to the Rich Aesthete: they are both rich and are restlessly searching for ends to employ these riches on. MacIntyre states that the Rich Aesthete thrives in an environment where “the problem of enjoyment arises in the context of leisure, in which large sums of money have created a social distance from the necessity of work” (1981, p. 29). Unlike the Rich Aesthete, the Banker does not distance himself from the necessity of work; similar to the Manager his profession actually defines his character. The Banker combines the life of the aesthete with the working life of a banker, where he earns the wealth to finance his decadent lifestyle. Both the Rich Aesthete and the Banker engage in manipulative behavior to satisfy their preferences, using and abusing others for their enjoyment. While the Rich Aesthete is described in numerous literary sources like *The Portrait*

² When discussing the banker’s character in this archetypal sense I will denote this by capitalizing the word ‘Banker.’

of a Lady by Henry James and *Le Neveu de Rameau* by Diderot; the aesthetical aspect of the Banker's character can be uncovered in numerous modern films. In these films the Banker can be seen as a manipulative character who uses others as a means to his own satisfaction. For example, the protagonist of *The Wolf of Wall Street*, Jordan Belfort, is a rookie investment banker who becomes extremely rich by aggressively selling so-called penny stocks to oblivious clients, essentially manipulating and defrauding these clients. Once rich, Jordan gets involved in a decadent lifestyle full of limitless partying, drugs and sex with no particular ends in mind; similar to the decadent lifestyle of the Rich Aesthete. Belfort lavishly spends his wealth on mansions, fancy cars and luxury yachts. Moreover, he manipulates and uses others for his own enjoyment. For example, the film features a lengthy dialogue scene with Jordan and his co-bankers devising a game where they throw midgets at an enlarged dart board. Meanwhile discussing whether they can throw food at or fondle the midgets; using the moral and legal loophole that "if we don't consider him a human, but just consider it an act. We are in the clear." Another scene features an office party where Jordan offers \$10,000 to a sales assistant to shave her head while the whole company cheers "scalp, scalp, scalp." Multiple of these manipulative instances can be uncovered in these modern films inspired by Banker's lives.

The Banker is largely similar to MacIntyre's description of the Manager as well. The Manager states that he directs human and non-human resources effectively towards predefined organizational ends while the organization has limited means. The Manager claims rational expertise in directing these resources and states that his profession is morally neutral because this practice is a skill. Moreover, his effectiveness can be measured by specific cost-benefit analyses which measure how well he matches means to ends in his organization. In other words, according to MacIntyre the prominent position of the Manager within an organization is legitimized by the claim that he has expertise in achieving the pre-determined morally neutral organizational goals. However, MacIntyre states this prominent position of the Manager is not legitimate by critiquing Max Weber's account of the authoritative manager.

The concept of the effective Manager finds its origin in Weber's theory on bureaucratic authority. MacIntyre argues that Weber's account of bureaucratic authority is in fact an emotivist account, because Weber establishes that the ends towards which managers employ their resources are non-rational in nature. Chosen ends are always based on certain values and Weber, in accordance with MacIntyre's theory, inadvertently argues that the establishment of values by the Manager is a non-rational and thus subjective matter. Precisely because of this non-rational selection of the organizational goals we can state that the Manager employs manipulation. Weber distinguishes power from authority in order to avoid claims that the

bureaucratic manager is a manipulative character. Authority is non-manipulative and directed towards rational ends while power is manipulative and not directed towards rational ends. However, because the ends put forth by the Manager are non-rational in nature his legitimate authority cannot be based on these ends. Therefore, MacIntyre (1981, p. 31) concludes that “bureaucratic authority is nothing other than successful power.” In other words, the Manager employs manipulative behavior in order to effectively achieve his private ends. He legitimizes his position by subjectively establishing certain organizational goals and subsequently claiming that he is the only one with the expertise to achieve these goals; completely in line with emotivism’s sociology. In turn, the Manager puts manipulative modes of behavior into practice in order to make his subordinates behave in precisely the manner he envisions.

Like the Manager the Banker states that he is mainly concerned with effectively employing means towards preconceived ends which are non-rational in nature. For the Banker these preconceived ends are based on the financial industry’s neoclassical economic principles, i.e. maximizing shareholder value while acting within the bounds of the law. Similar to the Manager the Banker considers himself a morally neutral agent who most effectively as possible directs resources, in his case money, towards these preconceived ends as a skill. However, as we have discussed in the previous chapter choosing to maximize shareholder value over the client’s interests or that of society in general is already a moral choice and one which often leads to immoral behavior. Moreover, the claimed morally neutral expertise and specialized knowledge by the Banker on maximizing shareholder value legitimizes the prominent position he has within our society and the large benefits associated with his profession like giant paychecks, luxury offices and extravagant parties. A Banker who has created a lot of shareholder value in a year feels like he deserves a large bonus. In turn, the non-rational principle or goal of the financial industry to maximize shareholder value is used as a means by the Banker to attain individual ends, namely to amass as much wealth and status as possible and spend it freely like the Rich Aesthete.

Like the Manager the Banker employs manipulative behavior in order to effectively achieve his private ends. However, the Manager implicitly manipulates his subordinates in order to attain the non-rational organizational goals, while the manipulation by the Banker is more explicit. The Banker revels in his successful manipulation of clients, co-workers and managers in his practice to maximize shareholder value and in extension his own wealth. In turn, the behavior of the Banker becomes immoral as he does not view his clients, co-workers or managers as individuals worthy of dignity but as means to achieve his private ends. The Banker expresses that he can sell, influence or achieve anything through his skillful

manipulation of others as long as he maximizes shareholder value; in other words, he claims to be the perfect salesman. For example, in *The Wolf of Wall Street* Jordan Belfort prides himself on being the top trader in his company by selling junk penny stocks as large investment opportunities to his clients and earning big returns on these trades, while it is likely that his clients will incur heavy losses due to these trades. This widespread manipulation has already been demonstrated in the financial industry in our discussion on the LIBOR index fraud, the misleading of subprime mortgage home owners, the selling of highly risky mortgage related securities to uninformed investors and the Dutch *woekerpolis* scandal.

Individualism is deeply ingrained in the Banker's mindset and fosters a habit of equating acting in one's self-interest to acting in accordance with the principles of the financial industry. In the 1987 film *Wall Street* this self-interested individualism as a form of social Darwinism is already fittingly expressed by the investment banker and corporate raider Gordon Gekko in his infamous 'greed is good' speech: "the point is, ladies and gentleman, that greed -- for lack of a better word -- is good. [...] Greed clarifies, cuts through, and captures the essence of the evolutionary spirit." The Banker adapts himself to the financial case at hand in order to maximally gain from it individually. If this entails that he should manipulate clients or act against shareholder interests, he will; if it entails playing by the rules, he will do so as well. In this manner the Banker embodies the emotivist manipulative form of behavior to further his own interest and thus is one of the stock characters of modernity.

The Banker envisioned as this self-interested manipulative modern character can be seen as negatively affecting the character of bankers in general. By being a moral reference point in our culture the Banker automatically influences the character of others within the industry. When no other reference character is available which counters the self-interested manipulative tendencies of the Banker, bankers will look at these tendencies in the Banker for guidance. Of course this does not entail that all bankers immediately become immoral or that they become immoral at all. However, it does lead to them being more easily influenced by the process of moral neutralization; as the Banker role model is a character wherein the process of moral neutralization has been fully accomplished, i.e. he is no longer affected by moral dissonance. In turn, the idolization of the iconic 'bad apple' Banker is another factor which can aid in the rotting process of the weakened apples in the bad barrel called the financial industry.

§2.2 The Rise and Fall of the Banker as a Modern Character

In the previous section we have seen that the moral character of modern man in general has been weakened in our modern culture and that this has contributed to the banker being more

easily swayed by the process of moral neutralization. Moreover, the iconic ‘bad apple’ Banker is unveiled as a modern stock character that embodies emotivist manipulative modes. However, by displaying that the Banker is one of the stock characters of modern emotivist culture I have not yet formulated how the Banker rose to such a prominent position and whether the Banker has retained this position. Therefore, in this section I firstly elaborate on the Banker’s rise to prominence in modern culture in the 20th century and the cultural shift that allowed for this emergence. Secondly, I discuss his fall from grace in the 21st century and the simultaneous emergence of a communitarian counter-culture.

§2.2.1 The rise of the Banker as a modern icon

The rise of the Banker within our modern culture can be largely attributed to the primacy we attribute to the individual inherited by our Enlightenment legacy and the adopted personal morality within this culture. The rejection of teleology by Enlightenment philosophers and the shift towards basing moral theory in human nature has changed the way we think of the relation between man, community and tradition. More specifically, because a higher moral purpose imbedded in tradition and separate from human nature is lost to us, the study of the individual as a subject has become supremely important in the Enlightenment’s moral project. In this regard MacIntyre states that “the individual moral agent, freed from hierarchy and teleology, conceives of himself and is conceived by moral philosophers as a sovereign in his moral authority” (1981, p. 75). The primacy of the individual decoupled from social relations in our modern culture entails that the individual adopts a morality largely centered around the individual as well. In this manner, an adaptation of utilitarianism has become the main moral drive of the modern self. The modern self relinquishes the universality present in utilitarianism as a theory of happiness for all and supplants this with an individualist morality wherein one primarily strives after the greatest amount of happiness for the self.

Bunke (1988) shows this shift towards this type of morality by asserting that in the second part of the 20th century American society’s focus and that of the Western world in general has increasingly shifted from a community perspective to an individualist perspective. The loss of this community perspective has contributed to a degradation of the communal moral values of individuals. By being more focused on himself the individual no longer wants to ‘be good’ but to ‘feel good.’ Consequently, this transformation of the individual’s mentality of wanting to ‘be good’ to wanting to ‘feel good’ can be perceived in the rise of consumerism, neoclassical economic thought and the obsession with wealth and status in the Western world.

In the 1980's a culture of consumerism emerged in the United States and throughout the Western world. Gillon (2004) describes how the baby boom generation became infatuated with status and wealth in this decade. Schumacher's 1970's adage 'small is beautiful' in his critique on Western economics was completely replaced by the adage 'bigger is better' in 1980's neoclassical economic thought and a consumerist culture was born in the Western world. Artists like Madonna encouraged a materialist mindset by proclaiming "we are living in a material world and I am a material girl" and "the boy with the cold hard cash is always Mister Right." The Western emotivist mentality to feel good spurred on this infatuation with wealth and consumer spending soared in this decade. Consumer expenditures on timesaving products and services, like child care, housekeeping, and take-out meals, increased dramatically from the 1980's to the 1990's and spending on entertainment products, like videogame systems and CD players, skyrocketed (Gray, 1992). During this decade a character arose which completely embodied this consumerist and status hungry mindset and was revered for it by modern culture, namely the Yuppie which is short for young, urban, upwardly mobile professionals. The Yuppies are well-educated professionals in their late-twenties captivated by gaining wealth and garnering status. The Yuppie class derived its status from lavishly spending this wealth on fast cars, beautiful apartments, luxury dinners, expensive watches and other lifestyle items.

In order to finance this lifestyle the Yuppie took on high paying and status granting careers. Professions like law and accounting were popular among them, but one profession in particular stood out, namely investment banking. According to Gillon (2004, p. 118-119) "Yuppies aspired to become investment bankers, not social workers," because in the 1980's investment banking had become an increasingly lucrative profession in a business climate spurred on by the neoclassical inspired Reaganomics. However, the Yuppie did not care much for the substance of the professions he was involved in, as long as it provided him with the wealth and status he longed for. In the movie *American Psycho* we encounter the meaninglessness of the life and job of a top Yuppie banker. The main character Patrick Bateman, just like his colleagues, is solely interested in appearance instead of merit. One's physical appearance, job title and the "tasteful thickness" of one's business card trump the actual expertise and content of one's job in a true expression of form over substance.

The Yuppie banker was both revered and scorned by others in the consumption driven population and in this character we see the first instance of the Banker becoming a moral reference point for our modern culture. The general population in the United States was enthralled by the individual wealth gained by these young bankers on Wall Street. We can see

this idolization of the investment banker and business in general in American culture by looking at education in the United States and the increasing share of Business majors. In 1970 just 14 percent of all undergraduate degrees in the United States were granted to Business majors, this percentage increased drastically to 25 percent in 1985 and in 2011 still hovers around 21 percent (NPR, 2014). The investment bankers were seen as affluent rock stars living in luxury and glamour, and students in this consumerist culture wanted to join their ranks by majoring in business. However, the Banker was not solely idolized as his conduct was also widely criticized. As stated in the previous section this widespread criticism can be expected for a stock character. In relation to the Manager character MacIntyre states in this regard that “the morally defining character of the managerial role in our own culture is evidenced as much by the variety of contemporary attacks upon managerial and manipulative modes of theory and practice as it is by its allegiance to them” (1981, p. 36).

The Yuppie in his banker role quickly familiarized himself with the manipulative modes of practice characteristic to emotivism. The Banker character manipulates clients, co-workers and managers in order to maximize his own wealth and status. As a consequence, in reference to this character most Americans considered investment bankers to be greedy, egocentric and big spenders according to Daniels (1987). Moreover, he states that their enormous consumption, ethical misbehavior and large incomes generated resentment among the general population. In light of this resentment it is not surprising that when the stock market took a dive at the end of the 1980’s the investment banker did not get much sympathy from the populace. However, in defense of the Banker Bunke (1988, p. 7) states that “in a world where “feeling good”--being happy--rather than “being good”---living a moral life---becomes the guiding force, then the behavior of the [Bankers] of this world is not only understandable, but really quite appropriate.”

In turn, the rise of consumerist society with its individualistic and emotivist manipulative tendencies has led to the idolization of the investment banker and caused the Banker to become a modern stock character. In other words, the Banker has become an icon in our modern culture as he most deeply reflects those characteristics which we all strive for in some sense. The Banker stands on a pedestal at the end of the 20th century and we have put him there.

§2.2.2 Trouble in paradise: the fall of the Banker and the emergence of a counter-culture

During the 1980’s our modern consumerist culture has aggrandized the iconic ‘bad apple’ Banker. However, after the Global Financial Crisis of 2007-2008 the Banker has toppled from

his pedestal. Countries which had to intervene in the financial markets spend enormous sums to prevent a complete collapse of these markets. In the end, those most hurt by this crisis were not the bankers but the taxpayers who had to bankroll these massive interventions by their governments and additionally those households which were affected by unemployment, foreclosures and plummeting household wealth (Government Accountability Office, 2013).

In light of these large costs to society, the expertise claimed by bankers in handling these increasingly more complex financial matters and effectively matching means to rational ends has been unmasked as a fiction. As a consequence, the legitimacy of the prominent position of the banker in our society has become in doubt and critique on the banker's unethical and manipulative practices leading up to the crisis has surmounted; in turn, the banker has been granted a pariah status in return. The characteristics of the profession which lured the Yuppies towards banking in the 1980's like status and wealth have both been wiped out or in any case have been substantially depressed. According to King (2018) "bankers have taken on an almost cartoon villain like quality ever since the financial crisis of 2008;" this villain like quality has had a large effect on the Banker as a modern character. The once proud manipulative Banker has lost his status and is no longer revered by the general populace. Moreover, the unfettered bonus culture within banking has been restricted since the Global Financial Crisis and excessive salary raises are severely scrutinized by the common man.³ The crisis has not only been a wake-up call for the general population but also for the bankers themselves. King states that in turn bankers are less proud to be working in the banking industry and that many consider switching careers.

A communitarian counter-culture emerges

Since the Global Financial Crisis we can perceive the rise of a counter-culture in multiple facets of society which veers away from idolizing the individualist and consumerist tendencies of the Banker. In education the focus has shifted away from business and finance majors which were hugely popular prior to the crisis and has since shifted towards the so-called STEM fields, which are fields related to biology, computer and information sciences, engineering, mathematics, and physical sciences. Many countries have initiated programs to

³ As could be seen by the enormous public outrage in the Netherlands when the CEO of ING bank Hamers was reported to receive a salary increase in 2018 of 50 percent, from two million to three million euro's. Subsequently, the bank swiftly withdrew its decision regarding this salary increase in light of the public pressure that surmounted. The arguments in favor of this extravagant raise propounded by top bankers were of an amoral neoclassical nature and did not deal with the moral outrage of the public (Dekker, 2018).

encourage students to enroll into these majors which focus more on the exact sciences, believing that graduates of these studies will be of more benefit to society. Concomitant with this increased interest in STEM majors is the rise in popularity of Silicon Valley and the plummeting popularity of Wall Street. Stock prices of large technology based companies like Google, Apple, Tesla and Facebook have soared and these companies have become increasingly popular as employers. While prior to the Global Financial Crisis graduates were proud to work at large financial firms on Wall Street, now they are proud to start at these tech companies typically located in Silicon Valley. Moreover, we witness the rise of new moral reference characters within this industry like Elon Musk, Mark Zuckerberg, and Steve Jobs who have become vocal points for this rising industry. However, this counter-culture while veering away from individualist tendencies in favor of communitarian dispositions still exhibits modern emotivist manipulative tendencies and has its own prominent emotivist characters. For example, the rise of the Influencer on social media can be seen as the appearance of a new modern emotivist character. These Influencers express their veritable opinions on social media through pictures, blogs or vlogs and manipulate others by discrediting some views and eulogizing others; while often earning generous benefits through advertisers who are leeching of their audiences.

In general we can see society currently shifting away from the individualist and consumerist modes of existence spurred on by neoclassical thought in the 1980's, like individualistic social relations and the reverence of wealth and status. Instead of individualistic social relations, cooperative social relations have become prioritized in this counter-culture which can be depicted as communitarian in nature. The sharing economy promoting all kinds of cooperative initiatives like crowdfunding, carpooling, Airbnb, Uber, and even gardensharing are on the rise. Moreover, like the Banker the legitimacy of the position of the Manager is starting to be questioned in business practice and his manipulative claims of organizational effectiveness are being denounced. Specifically, start-up companies are increasingly doing away with organizational models which feature the hierarchical authoritative Manager and adopt models which focus on personal responsibility and working within self-organizing cooperative teams without managers.⁴

⁴ See for example organizational models like Holacracy (www.holacracy.org) or Sociocracy 3.0 (www.sociocracy30.org) which both feature these new types of models based on personal responsibility and self-organizing teams, and are rapidly garnering popularity within the business community.

A focus on ethical practices, sustainability and cooperation has become increasingly more important in finance and business in general. In banking the establishment of so-called green investment funds allows investors to invest their funds in companies which function in a sustainable and fair manner, for example by avoiding companies which produce tobacco, nuclear weapons, or are involved in other unsustainable practices. Moreover, numerous financial firms have been founded with the specific goal in mind to run an ethical and sustainable organization. In the Netherlands for example ASN Bank and Triodos Bank are two major banks who present themselves specifically as sustainable banks which serve society. On the website of Triodos Bank we can read its CEO Blom stating that “a bank does not only exist to make money” (www.Triodos.nl, translated from Dutch.), prior to the Global Financial Crisis this type of statement would be without context and thus go by unnoticed, but since this calamity these statements have a positive effect on people’s attitudes towards these particular financial firms. In this communitarian counter-culture we can see a push towards a more moral financial industry, one which is more focused on benefiting society instead of solely maximizing its own profits.

The rise of the consumer culture in the 1980’s and the individualist ‘bad apple’ Banker on the one hand, and the surge of the current counter-culture which is more communitarian in nature on the other hand, can be depicted as a pendulum swinging between two extremities. Spengler (1920; 1922) would characterize these two opposing forces as the English and the Prussian soul. The English soul is individualist and acquisitive in nature and is mainly active in Anglo-American countries, while the Prussian soul is more focused on the flourishing of the community and is active in Rhineland countries. Both these souls strive to overtake the other through their politics and economic systems, which are respectively Anglo-American capitalism and Rhineland capitalism.

In the 1980’s the English soul started to overtake the Prussian soul through neo-classical economic thought, rising individualism and a surging consumer culture. While in our current counter-culture the Prussian soul attempts to push back the presence of the English soul within our modern culture by establishing more cooperative and communitarian modes of existence. However, before I elaborate on the significance of these two souls and their capitalist systems in chapter IV, I further discuss the morality of the banker in chapter III in order to establish a more moral banking profession which exhibits cooperative and communitarian tendencies in line with the emerging counter-culture.

III. Establishing a Moral Banking Practice

Wir legen nicht eher besonderen Wert auf den Besitz einer Tugend, bis wir deren völlige Abwesenheit an unserem Gegner wahrnehmen.

{Nietzsche, 1894, p. 266}

By taking a systemic character oriented approach I have shown in the previous chapter that non-rational abstract moral principles predominantly govern our modern lives which has considerably weakened our moral character and has made us more vulnerable to emotivist manipulation by others. In turn, the banker is more prone to the process of moral neutralization spurred on by the organizational features of the financial industry. Moreover, I unveiled that the iconic ‘bad apple’ Banker is a modern character embodying emotivist manipulative tendencies which other bankers view as a moral frame of reference, and which puts further pressure on the moral character of the banker. However, since the Global Financial Crisis the Banker has largely fallen from grace in our culture because we perceive his individualist immoral practices to be the primary blame of this crisis and its damaging consequences. In turn, we have veered away from idolizing investment banking and erected a communitarian counter-culture against individualist modes of existence. In the emergence of this counter-culture we can see a glimpse of a push towards a more cooperative and moral financial sector. However, while the counter-culture generally denounces emotivist manipulative and individualist tendencies the moral character of the banker is likely still weakened by our non-rational morality as he solely possesses a wafer-thin rule-based morality; thus the banker remains vulnerable to moral neutralization.

In order to obstruct this neutralization process a systemic character oriented morality for the banker needs to be posited which strengthens the moral character of the banker and replaces the neoclassical principles of the banker’s rule-based morality. Moreover, this professional ethics will need to properly deal with MacIntyre’s (1981) criticism of modern moral theory in order to not disintegrate into non-rational subjective and individualist arguments. In this chapter I address the morality of the banker and posit such a systemic ethics by making use of Pellegrino’s (1995; 2008) theory on normative professional ethics and MacIntyre’s concept of practices and institutions in relation to virtue ethics.

§3.1 A Morality of the Banker Based in Virtue Ethics

In order to establish a moral financial industry a positive normative morality will need to be instituted in place of the wafer-thin rule-based morality. Pellegrino (1995; 2008) has formulated the conditions for a moral health profession in his normative ethics of medicine. In this section, I firstly discuss the three-tiered normative ethics that Pellegrino has established for the physician and show how we can adapt this system to establish a normative professional ethics for the banker largely based in virtue ethics. Secondly, I examine how we can extend the Banker's rule-based morality with manipulative emotivist tendencies by laying the foundation for a morality based on virtue ethics within practices and institutions, which is heavily inspired by MacIntyre's (1981) theory on the subject matter. Thirdly, I use this theory by MacIntyre to establish banking as a moral practice, in order to endow the banker with a systemic character oriented professional morality which is substantiated by virtue ethics.

§3.1.1 The conditions for a normative ethics of banking

To develop an ethical framework for the banker we can adapt Pellegrino's (2008) ethical scheme for the physician. Pellegrino argues that the ethical framework of the physician is based on a three-tiered framework of ethical obligations that the physician should be sensitive to in order to fulfill his special role in society. He arranges the three pillars of this system in an ethical order, stating that all pillars are of paramount importance to the structure of the framework but that some pillars are more ethically sensitive than others. These three pillars placed in ethical order of sensitivity urge that the physician: first of all, should be observant of the laws of the land; secondly, should be observant of rights and his fulfillment of duties; and thirdly, should practice virtues.

Pellegrino goes on to develop this framework in light of the health professions. He states that the legalistic ethic in the first pillar is mainly made up of human medical laws for example good Samaritan laws, licensure and the protection of people against experimentation. The second pillar which is based on a rights and duties ethic exists of obligations which go further than the human laws explicated in the first pillar, for example ethical principles established by the medical profession in codes of conduct or in the Hippocratic Oath which determine the ideal manner physicians should treat their patients. The third pillar is based on a normative virtue ethics for the medical professional, which requires physicians to exhibit practical ethical wisdom and to act ethically even though it might be against their own self-interest. Pellegrino (1995) argues that to formulate this virtue ethics of the physician medicine should first be established as a practice with its own *telos* in line with MacIntyre's (1981) notion of these

concepts. He states that the conditions which a normative theory based in virtue-ethics for the physician minimally requires are: first of all, a theory of the medical profession to define its *telos*, the good of medicine as an activity; secondly, a definition of virtue in terms of that theory on medicine; and thirdly a set of virtues entailed by this theory to characterize the good physician. In turn, he goes on to formulate the physician's *telos* and the set of virtues within the medical practice. However, I will not further discuss this elaboration by Pellegrino as it is only prudent that his framework has been made clear; for in this section I will proceed to adapt the discussed three-tiered framework to the banking profession.

The first pillar: the banker acts in observance of the laws of the land

The first pillar of Pellegrino's system and the least ethically sensitive is based on the fact that a professional should be observant of the laws of the land. This legalistic ethic is already implemented in the financial industry in its rule-based morality by mandating bankers to adhere to the principle that 'one should act within the bounds of the law.' Financial laws and regulations have a long history and find their origin somewhere in the 17th century in the Netherlands. The vast majority of countries have their own financial regulatory authorities, like the *Autoriteit Financiële Markten* in the Netherlands and the Securities and Exchange Commission in the United States. Most countries and their financial authorities have erected comparable laws and regulations, like a ban on insider trading and anti-money laundering regulations. Moreover, in the 20th century international committees like the Basel Committee on Banking Supervision have been erected to recommend international financial regulation in order to shape a more robust global financial industry.

According to Pellegrino, the legalistic ethic constitutes a minimalist ethic because it demands very little moral insight from the professional. However, this does not nullify the importance of this legalistic ethic, because Pellegrino argues that "in a pluralistic society, we need laws, rules and principles to assure a dependable minimum level of moral conduct" (2008, p. 450). Therefore, it is of great importance that financial regulatory authorities thoughtfully regulate the financial industry in order to uphold this minimal dependable level of moral conduct. During the period preceding the Global Financial Crisis financial regulatory authorities failed to perform this crucial duty. The financial industry had developed many complex and highly innovative financial products, like the previously mentioned mortgage backed securities and collateralized debt obligations, which were barely regulated. Moreover, through this process of securitization the financial industry had developed a high degree of off-balance sheet activity, the so-called 'shadow banking system.' This shadow banking system

performed services similar to regular banks but was not regulated according to the same laws and regulations. Due to this lack of laws and regulations firms within the financial industry could take on far more leverage and risk than would normally be permissible and profited massively while this lasted.

According to Pol (2012), during 2008 the risk and leverage within the financial system due to this securitization reached a peak and an inevitable crash occurred. In part, the failure to regulate the financial innovations like securitization within the financial industry contributed to the occurrence of the Global Financial Crisis and as a result the massive costs to society this crisis caused. Therefore, regulatory authorities should stay on top of these innovations. Since the Global Financial Crisis many financial regulations have been implemented which aim to limit the probability of the occurrence of another financial crisis. However, in my Master's Thesis in Economics I argue that these regulations have largely missed their mark and as a consequence that the financial system has not been made substantially more stable or robust than it was prior to the crisis. Therefore, I propose some policy reforms which should limit the probability of another Global Financial Crisis occurring in the future and which restrict excessive risk taking within the financial industry. Most importantly I argue for extended capital requirements of banks, the regulation of the shadow banking system, and a halt to the wave of deregulation set into motion by President Trump in the United States (Rumping, 2017). Subsequently, when the laws of the land are set in order we can expand our ethical framework with this minimalist legalistic ethic as a foundation.

The second pillar: the banker acts in observance of rights and the fulfillment of duties

The second pillar of Pellegrino's normative ethics for the professional is based on the fact that the professional should be observant of the other's rights and his fulfillment of duties. This obligation goes beyond the legalistic ethic and demands some moral insight of the banker. Since the Global Financial Crisis the financial industry has become more aware of the rights of for example its clients and has taken it upon itself to further specify its duties. This aim of the financial industry becomes apparent when one views the emergence of self-regulation within the industry in the form of moral codes of conduct and oaths.

The Netherlands Bankers' Association, or *Nederlandse Vereniging van Banken*, has developed such a code of conduct in response to the Global Financial Crisis in a 2014 report named *Future-oriented Banking*. In this report the association formulates a Social Charter, a Banking Code and rules of conduct related to a Banker's Oath. The Social Charter describes the role Dutch banks want to fulfill in society and their shared values, like "bank employees are

ethical, expert and professional and ensure that customers and other stakeholders are treated with care” (Nederlandse Vereniging van Banken, 2014, p. 7). In the Banking Code multiple codes of conduct are formulated which banks should adhere to in order to maintain sound and ethical operations; this Code is mainly directed towards supervisory and executive boards as these govern the banks. The Rules of Conduct in relation to the Banker’s Oath are most directly aimed at informing the actions of employees within the banking sector. The rules of conduct within the Banker’s Oath delineate that bankers should act without breaching confidentiality, should work with integrity and care, and should carefully weigh the different interests at hand but should put the interest of the client above all others. Moreover, bankers are incentivized to abide by the rules of conduct, because by breaching these rules they face disciplinary action.

Boatright (2013) discusses the adoption of this Banker’s Oath and its rules of conduct and concludes that while the oath might incentivize bankers to act more ethically it is far from a foolproof method to transform the banker into an ethical character. He argues that the general problem with codes of conduct is that they “are incapable of giving unambiguous guidance on some of the most ethically problematic situations that arise in banking” (2013, p. 162). Moreover, the effect of the Banker’s Oath differs from that of the Hippocratic Oath in medicine, because the practice of banking is very distinct from that of medicine. Medicine almost exclusively focuses on selfless service to others while in banking self-interest has a far larger role. Therefore, the development of sound ethical judgment should be encouraged within the financial industry.

Pellegrino agrees with Boatright’s assessment that codes of conduct and oaths do not provide the professional with the optimal ethical tools to deal with ambiguous situations, by stating that this “minimal level is insufficient in complex and often unpredictable circumstances of decision-making, where technical and value desiderata intersect so inextricably” (2008, pp. 450-451). On the other hand, he does not agree with the notion that the practice of medicine is clearly based on selfless service to others, in contrast he states that “the central paradox in medicine [is] the tension between self-interest and altruism” (2008, p. 452). In turn, Pellegrino argues for the third pillar in his system which goes ethically beyond the other two, namely a virtue-based ethics wherein the physician can overcome this paradox between self-interest and altruism.

§3.1.2 *Ridding the banker from individualist and emotivist tendencies*

The thin rule-based morality of the banker with its neoclassical economic principles which we derived from our discussion on Nordal and Kvalnes (2018), and Luyendijk (2015) is situated in the first two pillars of the three-tiered ethical framework. In order to extend this minimalist rule-based morality and rid the banker of individualist and emotivist tendencies in favor of a more communitarian morality it is appropriate to recall why emotivism emerged in the first place according to MacIntyre (1981).

MacIntyre concludes that the rise of emotivism was essentially a necessary outcome of the Enlightenment's moral project. By abandoning a moral scheme based on the human *telos* and in its place attempting to base our moral philosophy on the various capacities of human nature, the modern moral philosophers have stripped all moral debate from a rational foundation and deprived our entire moral terminology from its fundamental meaning; thus moral debate became unintelligible. In turn, emotivism as a non-rational moral theory based on the human emotions emerged. Therefore, to restore our moral language and rid the banker from his emotivist tendencies we have to recover the Aristotelian moral scheme that preceded the deteriorating force of the Enlightenment. This scheme exists of a threefold framework: firstly, the unadulterated man as he happens to be or man in accordance with his human nature; secondly, the moral man whose essential nature has been realized or man in accordance with his *telos*; thirdly, ethics which is a set of moral injunctions that educates the unadulterated man to pass from his current state to a state wherein his *telos* has been realized. In this scheme the virtues are those moral injunctions of which the practice allows man to transition from the unadulterated stage to the stage wherein man's essence has been realized.

In turn, MacIntyre sets out to revive virtue ethics in accordance with Aristotle's threefold moral scheme and to set straight some of the problems we encountered in Aristotelian virtue ethics. MacIntyre states that an understanding of the concept of a virtue arises when discussing three stages of which each next stage presupposes the previous, but not vice versa. These stages wherein the concept of virtue plays a crucial role are in order: the first stage, wherein MacIntyre presents a specific account of the concept of practice; the second stage, containing an account of the narrative order of a single human life; and the third stage, which deals with that what constitutes a moral tradition. However, this complete argument of MacIntyre on the nature of virtues will not be dealt with in this thesis, in this section I will solely discuss the first stage of his project. For the concept of practice, its concomitant concepts, and the role virtues play in practices will allow us to formulate a virtue-based professional ethics specifically tailored to the banking profession.

The function of the virtues within the realm of practices

According to MacIntyre, the concept of a virtue can be allotted its primary definition by viewing how virtues are exhibited in particular practices. He states that the performance of virtues within a practice is a necessity for excelling in that particular practice, in other words when one excels in a practice he exhibits certain virtues. However, MacIntyre gives a very specific definition to the concept of practice which I will cite here in full: "By a 'practice' I am going to mean any coherent and complex form of socially established cooperative human activity through which goods internal to that form of activity are realized in the course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity, with the result that human powers to achieve excellence, and human conceptions of the ends and goods involved, are systematically extended" (1981, p. 218). In light of this definition, many activities are excluded from being a practice, like writing a word correctly or drinking a glass of wine; on the other hand, writing a novel and tasting wine as a professional sommelier are in fact practices. Moreover, it will be necessary to elucidate some of the terms used in this definition of a practice.

MacIntyre states that there are two types of goods which can be acquired by performing a practice: external goods and internal goods. In this case, external goods are those goods which are incidental to the practice performed and only come to the practitioner due to social circumstance; examples of these goods are wealth and status. The contingency of external goods is due to the fact that one can perform other practices or activities to acquire these specific goods. Contrary to external goods, internal goods can solely be acquired by performing a particular type of practice and are specific to that type of practice, like a sense of fulfillment or flourishing when performing the practice which can be compared to Aristotle's concept of *eudemonia*. Moreover, only the practitioners of a particular practice through their experience can recognize and identify these internal goods. For example, when we take the practice of playing the piano one can acquire both internal goods as well as external goods. A famous pianist performer can acquire both wealth and fame through his practice, while also being rewarded with the internal goods peculiar to piano playing like internal satisfaction, social bonding and mutual understanding with fellow pianists, and the advancement of what we consider to be excellent piano playing. On the other hand, me trying to excel in playing piano by playing by myself in my room rewards me with internal goods but does not grant me any external goods like wealth or fame. Moreover, when listening to piano performances as an activity falls from social grace (which is doubtful; but nonetheless), these no-longer-famous

pianist performers can still reap internal goods by playing the piano even though no one listens anymore.

Standards of excellence and conformity to the rules are other characteristic features of a practice, which have emerged during the history of a practice because of its systematic perfection and extension through the realization of internal goods. Those practitioners involved in a practice should adhere to these emerged standards and rules because they largely define the practice as a socially established form of cooperative human activity. In other words, when one does not adhere to these standards and rules it will be impossible to become a practitioner as one will be unable to judge which activities belong to the practice and which do not, and one will have no way to recognize excellence within the practice. However, this does not take away that practices and their standards and rules change over time due to practitioners constantly expanding their horizons within the practice; nonetheless, one first needs to acquaint oneself with the bar before raising it. When we take the example of piano playing once more we see a clear history wherein standards of excellence and rules emerge due to the expansion of the practice by its most excellent practitioners. Bach, Mozart, Beethoven, and Chopin all were initiated into the practice of piano playing by learning the rules of the practice, for example recognizing harmonic structures or grasping the correct hand position, and its standards of excellence, established by their predecessors in the tradition; and in turn all of these pianists expanded the rules of the practice and its standards of excellence.⁵

According to MacIntyre we can now notice two important matters. First of all, as the standards of excellence and rules of conduct are upheld by the entire community of practitioners, the possibility of adopting subjectivist judgments or the propagation of emotivist manipulation within practices is essentially eliminated. In other words, within practices individualist tendencies are suppressed by community imposed standards and rules, and one cannot impose one's own standards or rules on the practice. Secondly, he states that another difference between external and internal goods can be uncovered, namely that external goods are specifically individual goods while internal goods can also be collective goods. External goods like wealth or fame can only be acquired by the individual and are

⁵ A criticism of MacIntyre on this communal aspect of practices could be that many practices, for example within the arts, are marked by highly anti-social individuals who do not wish to communicate and share their ideas with fellow practitioners, so-called *enfants terribles*, but who do extend the standards of excellence for the whole practice. However, while this criticism is well founded I will not take it further into consideration in this thesis, for as I see it most practices, like banking as I will argue, are in fact organized like communal guilds even though there are some *enfants terribles* among the practitioners.

often acquired based on some kind of competition between individuals. On the other hand, internal goods while also being the outcome of a competition, namely for excellence, benefit the complete community of practitioners. For example, the pioneering of the musical *ballade* form by Chopin enriched piano playing as a practice for the whole community of practitioners; while his fame led to the overshadowing of other excellent pianists from the same time period like Charles-Valentin Alkan someone who Chopin on his deathbed even entrusted with the completion of a book on his piano method.

MacIntyre further notes that we should contrast practices from both technical skill and from institutions. Technical skill is a necessary requirement to perform a practice, however technical skill or a set of technical skills are no practice in themselves. By focusing solely on this type of skill one loses sight of the importance of the community of practitioners and the significance of striving for the internal goods of the practice; thus technical skill should only serve the endeavor to acquire those goods. Furthermore, MacIntyre emphasizes that we should make a clear distinction between practices and institutions. While practices are mainly directed towards acquiring internal goods, institutions are primarily directed towards nurturing these practices for which it requires external goods. Institutions are the shepherds of practices, for practices need to be nested into and guarded by institutions to survive. According to MacIntyre, institutions are necessarily organized around and concerned with external goods like wealth, status, and power, for these are the conditions for their sustenance and the practices they shepherd. In this manner, practices can become almost intertwined with the institutions which support them.

While the institution is primarily concerned with the sustenance of the practice and the acquisition of external goods is not its main end, the danger lurks around every corner that the institution becomes increasingly obsessed and corrupted by external goods. In turn, when the directedness towards external goods takes the upper hand within an institution this can become a corrupting influence on its practice; as the institution can start to bend the practice to its will in order to amass more external goods at the expense of the acquisition of internal goods of the practice. Again this can be clarified by an example using the practice of piano playing. In this regard conservatories and concert halls are institutions which support this practice, by training new pianists and providing excellent pianists with a stage. However, as is well known conservatories can become primarily concerned with earning a status as a top institute while concert halls can sometimes be reduced to a business which is mainly interested in monetary gain. In this case, these exploitative institutions can exercise corrupting influences on piano playing as a practice in order to boost their acquisition of external goods. One can

imagine that status hungry conservatories can hinder the creativeness of their students in order to steadily cultivate excellent but similar students, in Dutch the so-called *eenheidsworst*, or that greedy concert halls limit the allowed repertoire of pianists to popular pieces for the sake of consistently enjoying packed houses.

After this extensive discussion of practices, internal and external goods, and institutions we can now properly situate the concept of virtues within this framework. According to MacIntyre the concept of virtues at home within the practices is defined as “an acquired human quality the possession and exercise of which tends to enable us to achieve those goods which are internal to practices and the lack of which effectively prevents us from achieving any such goods” (1981, p. 222). In other words, virtues allow us to achieve internal goods particular to practices by driving us to excel ourselves within the practice. MacIntyre states that the communal and historical nature of practices requires us to consider three virtues as necessary for the acquisition of internal goods, namely Honesty, Courage, and Justice. First of all, a lack of Honesty would prevent us from achieving the standards of excellence of a practice. By cheating or lying I would impede my acquisition of internal goods and would just be able to acquire external goods. For example, if I take a seat behind the piano in a concert hall and act like I play the piano while in actuality a recording of Horowitz is playing, I can amass some money and fame but I will not achieve fulfillment through the practice of piano playing; moreover, I will probably look like a fool and not gain anything of worth. Furthermore, dishonesty would breach trust between the practitioners, effectively shutting a community of sharing internal goods down. Similarly, the virtues of Justice and Courage are necessities for the community spirit of a practice and the lack thereof will alienate practitioners from one another. The virtue of Justice encourages practitioners to treat each other with respect to individual merit in accordance with reliable and impersonal standards. While the virtue of Courage entails that practitioners are willing to risk harm in order to preserve or further the interests of the community of practitioners; in this manner, showing genuine dedication and concern.

§3.1.3 Banking as a moral communitarian practice

The previous discussion of MacIntyre’s (1981) concept of practices and the place virtues have within this framework can elucidate how we can rid the banker from individualist morality and manipulative emotivist behavior. As stated, the communal acceptance of standards of excellence and the obedience to rules within a practice eliminates subjective individualist tendencies within the practice. In turn, by reinterpreting the banking profession as a practice

with its own particular virtues and internal goods, we can correct the individual character oriented view of morality presented by Kvalnes and Nordal (2018) and Luyendijk (2015), and establish a systemic character oriented morality of the banker; as virtue-based morality is an inherent part of the practice. Within the practice the individual practitioner cannot be thought of as separate from the community, which entails that this concept developed by MacIntyre is communitarian in nature. Thus by establishing banking as a practice with its own particular virtues we can attribute a strong moral character to the banker which is resilient to the process of moral neutralization.

According to Pellegrino (1995), MacIntyre and virtue ethicists in general encounter a problem when they attempt to formulate an universal ethics based in virtues in accordance with Aristotle's threefold moral scheme, namely that it is (nearly) impossible to formulate a universal modern human *telos*, in other words an end and good for all modern mankind, because modern man is a highly fragmented individual. In light of this problem and the crumbling of moral communities in modern life MacIntyre actually concludes *After Virtue* by stating that "we are not waiting for a Godot, but for another – doubtless very different – St. Benedict" (1981, p. 305). However, according to Pellegrino those concerned with professional ethics do not face the same problem to such an extent, because the very specific nature of a profession allows us to formulate a *telos* particular to that profession. Subsequently, Pellegrino formulates the conditions a normative theory based in virtue-ethics for the physician minimally requires, which I here adapt to suit a moral theory for the banker, these conditions are: first of all, a theory of the banking profession to define its *telos*, the good of banking as an activity; secondly, a definition of virtue in terms of that theory on banking; and thirdly a set of virtues entailed by this theory to characterize the good banker. In order to develop a moral theory for the banking profession based in virtue ethics, I will elaborate on these conditions and substantiate them in this section.

Establishing banking as a practice: the problem of external goods

In order to establish a theory of banking to define its *telos* it is essential to posit banking as a practice in MacIntyre's sense. I will argue that the banking profession exhibits all the characteristics which are indicative of a practice. Banking as a profession has an extensive history as a complex form of socially established cooperative human activity, as it has existed since ancient times. In this long history the banking profession has continually developed itself and in the process extended its standards of excellence and rules up until this day; in order to better fulfill its main business practices. Examples of these developments are

particularly visible in our current time with the emergence of online banking; however, large developments of the communal practice of banking have occurred throughout history, like the innovation of fractional reserve banking or the issuance of bank notes respectively in the 17th and 18th century.

The main point of contend in equating the banking profession to a practice, as I see it, is the seemingly evident fact that the banker is mainly directed towards the acquisition of external goods through the principle of maximizing shareholder wealth and that internal goods are not attainable by the banker; however, I will argue that this is a flawed contention. When examining the banking profession as a practice it is of paramount importance to clearly distinguish it from the institution with the same name which supports it, the bank or more generally the financial industry. The financial industry as an institution which is meant to shepherd the banking profession and should be concerned with the flourishing of the profession has become mainly directed towards amassing the maximum amount of external goods instead; as is evident by the industry's neoclassical economic principle that one should 'maximize shareholder value,' which is achieved by boosting industry profits. Unlike any other industry the financial industry is particularly susceptible to the allure of external goods, because all business within the industry is revolved around handling money in some form or another. In turn, the acquisition of external goods in the form of monetary profits has become the main goal of the financial industry. The banking profession is heavily affected by the large corrupting influence of the industry and has itself become mostly directed towards attaining external goods. As has been shown by our discussion of Kvalnes and Nordal (2018) in the first chapter, the organizational environment of the financial industry incentivizes questionable behavior and the process of moral neutralization. However, this directedness by the financial industry towards profits does not in itself preclude the acquisition of internal goods by the banker within banking as a practice, but does pose a very inhospitable environment to the practice.

On the other hand, one might add that the banker in his day-to-day practice solely deals with external goods, money, and that the banker might therefore be mainly directed to the acquisition of these external goods. However, the fact that a banker mainly handles money does not in itself lead to the conclusion that the banker is exclusively directed towards the acquisitions of external goods; i.e. handling money does not directly entail the desire to acquire money. Of course I do not argue that the banker is not directed towards external goods at all; that would be largely in opposition to the preceding chapters of this thesis. Similarly, Pellegrino (2008) and MacIntyre (1981) do not argue that the physician or

practitioners in general are disinterested in external goods. In relation to this point MacIntyre states that he needs “to emphasize at this point that external goods genuinely are goods. Not only are they characteristic objects of human desire, whose allocation is what gives point to the virtues of justice and of generosity, but no one can despise them altogether without a certain hypocrisy” (1981, p. 228). As much as it is a fable that the physician is a practitioner in selfless service to others focused exclusively on internal goods, it too is a fable that the banker is a completely selfish individual who is solely directed towards the acquisition of external goods and therefore cannot acquire internal goods, in fact this would be a representation of the iconic ‘bad apple’ Banker. The virtue of a practitioner is largely based upon the fact that he can decide to abstain from acquiring these external goods when the standards of excellence and rules of the practice require this from him. In turn, in these ambiguous situations the practitioner can direct his attention to the *telos* of the practice in order to overcome selfish desires; however, even the most virtuous practitioner has his moments of weakness.

A theory of the banking profession and the *telos* of the banker

MacIntyre (1981) does not specifically mention the concept of *telos* in relation to practices. He stresses the importance of the history of the practice’s activities and states that practices do not have a fixed goal. In turn he precludes practices from having a static *telos* and inadvertently establishes the ever changing and excelling character of a practice as its *telos*. The virtuous practitioner is always restlessly searching for goals to excel in and to employ his virtues on within the practice. However, a ghostly type of static *telos* remains within this theory, best elucidated when we view MacIntyre’s discussion on the concept of *telos* much earlier in *After Virtue* where he explicitly relates the notion of *telos* to the practice of farming. According to MacIntyre we can conclude based on factual premises like “he gets a better yield for this crop per acre than any other farmer in the district” that this person is a good farmer (1981, p. 58). ‘Farmer’ is a functional concept, which entails that we define him in terms of the purposes and functions he serves. Therefore, we can in relation to these purposes and functions, conclude whether a farmer is a good or bad farmer based on factual premises. In other words, the farmer has an essential nature or purpose which he needs to fulfill in order to become a good farmer, i.e. a *telos*. Thus, in accordance with Pellegrino (1995) we shall posit a theory of the banking practice and establish ‘banker’ as a functional concept in order to define its *telos*.

A theory of good banking needs to be grounded in the day-to-day practice of the banker and should be directed towards the community the banker should serve. As stated in the first chapter, modern bankers have a wide array of activities. However, Boatright (2013) argues

that the primary day-to-day practice of bankers and the majority of financial industry professionals which permeates all their other activities is the management of risk, by recalling a statement by J.P. Morgan, the founder of the bank with the same name, who said that “the fact is that bankers are in the business of managing risk. Pure and simple, that is the business of banking” (2013, p. 158). According to Boatright bankers manage three different kinds of risk: first of all, the risk faced by the bank itself; secondly; the risk of clients who employ the bank’s services; and finally, the risk posed by a bank to third parties, or more generally society as a whole. He states that a failure of the management of risks played a significant role in the recent Global Financial Crisis, as I have also argued in section §3.1.1. In this manner, the management of risk has a large ethical dimension for the banker, as the failure to properly manage risk leads to the consequences of these risks being imposed on the bank, clients, and society in general; as we have seen occur during the Global Financial Crisis. However, by positing that the *telos* of the banking practice solely involves properly managing risk I would not solve the problems associated with the wafer-thin rule-based morality of the banker or his emotivist manipulative behaviors spurred on by individualism. Like the principle of ‘maximizing shareholder wealth’ the principle of ‘properly managing financial risk’ could be hijacked by the banker to legitimize his position and benefit from it while society suffers. These principles decoupled from the interests of society which spur on individualism, as I will further elaborate on in the following chapter, are essentially externalizations of the English soul in an Anglo-American financial industry, which has dominated our economy from the 1980’s onward, while the systemic communitarian morality we strive to establish is Prussian in nature and can be exhibited by Rhineland capitalism (Albert, 1993; Spengler, 1920).

In order to resolve the problem caused by an individualist morality these principles should not be ends in themselves for the banker but means to achieve a communitarian end. The banking practice should not be focused on managing risk or maximizing monetary profits as goals but should use these as a means to better the community and let society flourish. Here the outline of the moral banker as a functional concept reveals itself to us: a banker is a good banker when the community flourishes because of his professional actions, while a banker is a bad banker when the community suffers because of his actions. While this seems like a very vague functional concept it can be further elucidated by looking at the day-to-day professional practice of a banker. The banker mainly handles money and manages risks associated with handling money in a relational setting with his clients, the bank and society as a whole. When the banker ignores this relational setting by acting in an individualist manner after a process of moral neutralization has normalized questionable behavior as has happened

prior to the Global Financial Crisis, the banker acts badly. On the other hand, the good banker should take the interests of all these stakeholders into account and be mainly concerned with the prosperity of society and the client-professional relationship as he has a duty to aid his clients.

In turn, I have formulated the inherent purpose of the banker and thus the *telos* of the banking practice. The internal goods particular to the practice of banking are acquired when the banker strives to let both the client and society flourish by excelling in his professional actions like properly managing risks and handling money; in other words by employing external goods to communitarian ends. One can imagine that a banker might feel a great sense of fulfillment, or *eudemonia*, when a large deal has been signed where he has been working on for over a year and where he has carefully mapped out all the risks in order to satisfy the needs of all stakeholders involved and advance the interest of society in general, knowing that he exceeded in his practice; i.e. the feeling of acquiring internal goods.

A set of virtues entailed by the theory of banking to characterize the good banker

The definition of virtues in the instance of the banker is that they are those qualities exhibited by the banker which enable him to acquire the goods internal to the practice of banking by striving for excellence and obeying its rules; acting in accordance with its *telos*. When the banker exhibits these virtues we can define him as a good banker and he can no longer be easily swayed by moral neutralization or inclined to act in an emotivist manipulative manner. The virtues of the banker will be largely based on the virtues elaborated on by MacIntyre (1981) and by Pellegrino (1995), and are discussed in no particular order of ethical sensitivity.

The virtues discussed by MacIntyre as necessary virtues among practitioners, Justice, Courage, and Honesty, are thus also virtues of the banker, but I allot these a particular significance here in the banking practice for they should not only be directed at fellow practitioners but also at clients and society in general. The virtue of Justice is essential for the banker in his practice for he has to have a deep understanding of how to treat all stakeholders according to equality and fairness. For example, in managing risks appropriately it would be just to let those most involved in the case at hand carry the bulk of the risk, while one should strive to keep the risks for third parties at a minimum. Furthermore, the virtue of Courage is warranted for this allows the banker to stand up to the corrupting influences of external goods. In order to preserve his practice the banker should be willing to risk harm or endanger himself, because he is gravely concerned with his practice and cares too much for it to be corrupted by a frenzy for external goods sparked by the financial industry. Moreover, the

virtue of Honesty should be upheld by the banker for this is of utmost importance in relationships with clients and within the community of practitioners, for trust can only arise in the presence of this virtue. Besides the banker will need to exhibit Intellectual Honesty, by acknowledging in situations of uncertainty that he does not have the knowledge or skill to resolve the problems at hand, the banker deepens the relationship with the client and fellow practitioners.

While the virtues discussed by MacIntyre are the main virtues the moral banker should exhibit, Pellegrino discusses some other virtues which are essentially derived from MacIntyre's virtues which further elucidate how the virtuous physician should act; in turn, these can also be adapted to the practice of the banker. First of all, in line with the virtue of Honesty the banker should uphold the virtue of Fidelity to Trust and Promise, trust is of grave importance in a relationship with the client. The banker is entrusted with the management of risks which are often beyond the comprehension of clients and the consequences of which can seriously damage the client; therefore the ethical banker will need to be trustworthy and keep his promises. Secondly, the banker should exhibit the virtue of Effacement of Self-Interest, while this virtue is well known in the health professions it has not been explicated in banking. In order to properly serve the client and other stakeholders who are often vulnerable to the acquisitiveness of the financial industry, the banker should prevent the client and stakeholders from becoming a means towards self-interested ends. Thirdly, a virtue which needs to be upheld by the banker is Benevolence, simply because the client comes to the banker in good will in order to be aided by the banker. Fourthly, perhaps the most important virtue expressed by Pellegrino, Prudence should be held in high esteem by the banker. Prudence is that particular virtue which allows for the competent practice of virtues in the first place. This virtue is closely tied with Aristotle's notion of practical wisdom allowing the banker to be deliberate and discerning in his action. In turn, this wisdom grants the banker with appropriate options when morally challenging situations arise which have no straightforward solutions. Pellegrino states that the ethical supremacy of virtue ethics compared to law or duty based ethics is most apparent in dire situations where this practical wisdom is warranted: "it is when the choice of a right and good action becomes more difficult, when the temptations to self-interest are most insistent, when unexpected nuances of good and evil arise and no one is looking, that the differences between an ethics based in virtue and an ethics based in law and/or duty can most clearly be distinguished" (2008, p. 451).

In this manner, we have extended the banker's thin rule-based morality and have posited this third and final pillar of Pellegrino's ethical framework by substantiating a morality based

in virtue-ethics (1995; 2008). One might wonder what this moral banker looks like as a character. In the 1946 movie *It's a Wonderful Life* we can see the character of the virtuous banker embodied by George Bailey. Bailey's life is marked by overcoming selfishness and service to the community. When his father, the director of the town's Bailey Brothers Building & Loan bank, dies, Bailey steps in to save the bank by preventing it from being dissolved by its board of directors. As a consequence, he cannot set out to fulfill his individual dream of travelling to Europe or going to university. The Building & Loan bank is of great importance to the community as it extends mortgages to the citizens, while the owner of the other larger bank, an iconic 'bad apple' Banker called Henry Potter, does not extend mortgages in order to keep the citizens shackled to dreadful and expensive rental properties which he also owns. On Bailey's wedding day another act of self-sacrifice is warranted as a bank run occurs on the Building & Loan bank partly spurred on by Potter, which can render the bank insolvent and cause it to collapse; harming all stakeholders involved as shareholders lose their capital, depositors see their savings dissipate and mortgage owners will likely be foreclosed upon and lose their house as no other bank provides mortgages. To save the bank and prevent the community from catastrophe Bailey finances the bank with his honeymoon savings. In a final attempt to close down the Building & Loan bank Potter offers Bailey a job with a more-than-generous salary and opportunities to travel, but he turns the offer down knowing that Potter will corrupt the community. However, in a moment of dire need on the verge of bankruptcy and with criminal charges falsely pressed when George Bailey questions if this life of selfless virtue has been truly worth it, the community who he has served so faithfully comes to his aid out of respect and admiration; and he concludes that it truly is a wonderful life.

While in the Banker character of Jordan Belfort in *The Wolf of Wall Street* all the tendencies of the emotivist individualist self are reflected, in the narrative of George Bailey the complete set of virtues of the banking practice in service to the community can be uncovered; Justice, Courage, Honesty, Fidelity to Trust and Promise, Effacement of Self-Interest, Benevolence, and Prudence. In turn, the banker cleared from his emotivist and individualist tendencies can view this character as a beacon of virtue-based morality and acquire these virtues in order to amass those goods internal to the practice of banking. As in the past few have become as completely corrupted as Jordan Belfort in the financial industry, so will in the future few become as virtuously selfless as George Bailey. However, by shifting the moral reference point in the financial industry from the iconic 'bad apple' Banker character to a virtuous character, the banker will adjust his behavior accordingly and will be less easily affected by the process of moral neutralization.

IV. Towards a More Moral Financial Industry

We should therefore expect that, if in a particular society the pursuit of external goods were to become dominant, the concept of the virtues might suffer first attrition and then perhaps something near total effacement, although simulacra might abound.

{MacIntyre, 1981, p. 228}

In the previous chapters it is made clear that the organizational environment of the financial industry with features like zero job security, shareholder value maximization and performance-based income incentivizes bankers to think on the short-term, to act in a self-interested manner and to act in a questionable manner in general. A process of moral neutralization of the moral character of bankers has made them unaffected by moral dissonance and has normalized the incentivized questionable behavior. Moreover, the prominence of individualist morality, emotivist manipulative behavior and the idolization of the iconic ‘bad apple’ Banker have made the moral character of the banker more vulnerable to this process of neutralization. Therefore, I have taken a systemic character oriented approach by positing a normative professional morality based in virtue ethics which strengthens the moral character of the banker and makes him less vulnerable to this neutralizing process. By establishing banking as a practice directed towards the prosperity of society and the prominence of a strong professional-client relationship the virtuous banker can arise.

Nonetheless, the burden of the financial industry’s corrupting influence already discussed by means of Kvalnes and Nordal (2018), and Luyendijk (2015) in their systemic circumstance oriented approach will likely be too heavy to bear for even the most virtuous banker. As is discussed by Aristotle the virtues and in extension practices can only be propagated in a hospitable environment. Therefore, we have to transform the organizational environment of this financial institution which is completely geared towards gaining external goods by its principles and which incentivizes questionable individualist behavior. Positing in its place a hospitable organizational structure which in line with the banking practice is directed towards the community; in turn, empowering the banker to act virtuously. Thus in this chapter I take a systemic circumstance oriented approach to extend the framework of Kvalnes and Nordal.

§4.1 The Financial Industry as an Embodiment of English Soul Life

In the first chapter of this thesis it has been made clear that the neoclassical economic principles of the financial industry, its organizational environment and its acquisitive nature

incentivize questionable behavior like short-term thinking, self-interested individualist behavior and the manipulation of conflict of interest situations in a discussion of Kvalnes and Nordal (2018) and Luyendijk (2015). Moreover, in the second chapter it has been shown that the iconic ‘bad apple’ Banker rose to prominence from the 1980’s onward when an individualist consumer culture emerged. In turn the process of moral neutralization was spurred on and questionable selfish behavior has been normalized within the industry in addition to manipulative emotivist modes of behavior.

In this section, I discuss how this organizational environment of the financial industry could emerge in our economic climate, by studying the two most prominent economic systems of the West, denoted by Albert in *Capitalism vs. Capitalism* (1993) as Anglo-American capitalism and Rhineland capitalism. I argue that the organizational features of the financial industry which incentivize questionable and individualistic behavior have largely emerged within Anglo-American capitalism spurred on by neoclassical economic thought, while these features have emerged to a much lesser extent in Rhineland capitalism where communitarian characteristics are more prominent. Moreover, as already mentioned in the previous chapters I demonstrate that these Anglo-American and Rhineland capitalistic systems are expressions of two distinct soul lives in our Western culture, namely Spengler’s English soul and Prussian soul expanded upon in his work *Preußentum und Sozialismus* (1920).

§4.1.1 *The two types of capitalist economies in the West*

Albert (1993) distinguishes two economic capitalistic systems which largely govern the economies of countries throughout the West, namely Anglo-American capitalism and Rhineland capitalism. Economies in Anglo-Saxon countries like the United States, England, Ireland, Australia, Canada and New-Zealand function largely according to the principles of Anglo-American capitalism. While economies in continental Europe, largely geographically located near the Rhine, like Germany, Austria, Switzerland, Belgium and the Netherlands, as well as Nordic countries like Sweden, Denmark, Norway and Finland function generally according to the principles of Rhineland capitalism.

Anglo-American capitalism and Rhineland capitalism differ on many fronts. According to Albert, the main distinctions between these systems are apparent in the influence of the state on the markets and the focus on individualistic or cooperative mindsets. Markets in countries which are characterized by Anglo-American capitalism are in general marked by more competitive behavior because independence and individualism is promoted. Moreover, Anglo-American states take a *laissez-faire* regulatory approach when it concerns markets and only

intervene when the market mechanism is not functioning properly. Furthermore, Anglo-American countries try to minimize the amount of companies which are state-owned or partly state-owned and in general strive to curtail the budget and power of the state. Short-term profit is the name of the game within these markets which are largely governed by the power of the shareholder.

On the other hand, countries which are characterized by Rhineland capitalism generally have a substantial welfare state and companies of major importance to the well-being of these states are regularly state-owned or partly state-owned. Moreover, these countries take a more stringent approach towards regulating the markets and do not have unwavering faith in Adam Smith's 'invisible hand' guiding the market to promote the sought after outcome. In this regard Sheikh (2011) states that in general Anglo-American countries are more concerned with the proper process of the market while Rhineland countries are concerned with a proper outcome of the market. Companies within these Rhineland markets are encouraged to informally cooperate, while maintaining the necessary competition inherent in any capitalistic system. Furthermore, Rhineland capitalism is characterized by companies taking a slow and steady approach and focusing on long-term growth while keeping all the stakeholders in mind, like the employees, market players and society at large.

What I have called the financial industry in this thesis, i.e. an industry subsisting of those large financial firms which typically reside on Wall Street or in the City, has largely emerged from the 1980's onward in countries characterized by Anglo-American capitalism, like the United States and England. The principles of the banker's wafer-thin rule-based morality based on neoclassical economic thought like 'maximize shareholder value' and 'act within the bounds of the law' are specifically Anglo-American in nature. The organizational features of the financial industry which inspire questionable behavior like short-term thinking, individualist behavior, and zero job security can be seen as typical features of companies founded within Anglo-American capitalist societies. In Anglo-American countries banks have largely been transformed into investment banks because companies acquire credit on the capital markets, for example by issuing shares. Albert assesses that financial firms in Rhineland countries embody more cooperative characteristics, because these firms are not solely governed by its shareholders but by its stakeholders. In other words, the firm's owners or shareholders, managers, employees, clients and others with a vested interest, to a greater or lesser extent, have a say in the operations and goals of the firm.

After his extensive research Albert concludes that Rhineland capitalism is a more desirable economic system, because it produces superior social and economic effects (a

conclusion which was already made quite apparent in the subtitle of his work: *How America's Obsession with Individual Achievement and Short-term Profit Has Led It to the Brink of Collapse*). However, Sheikh argues that Albert takes quite a one-sided view in appreciating Rhineland capitalism over Anglo-American capitalism by ignoring the positive aspects of this system, like more innovative prowess and greater flexibility in volatile markets. For example, the innovativeness of the ICT sector within the United States, with Silicon Valley as a prime example, can be largely attributed to the Anglo-American style of capitalism. Moreover, Sheikh states that Albert takes quite a black and white approach in formulating these ideal types of capitalism and in situating different countries within these economic models. For example, England has a far larger welfare state than its status as Anglo-American capitalist country would permit. While the Netherlands has a far more open and individualist economy than the characteristics of Rhineland capitalism would suggest. Therefore, it is appropriate to keep in mind that these systems are just models of reality. Moreover, it is possible to view Albert's idealized economic models as embodiments of certain individualist or communitarian tendencies exhibited by these differing countries and their peoples; as I will argue in the next section.

§4.1.2 Anglo-American capitalism as an expression of the English soul

Business in the Netherlands has recently been shaken up due to numerous attempted hostile takeovers by large aggressive shareholders. Major Dutch companies like Unilever, AkzoNobel and PostNL were targeted by these billion dollar foreign investors. Dutch society has reacted in an uproar against this perceived Anglo-American intrusion on Rhineland capitalism. Many see these shareholder actions as a precursor to Anglo-American capitalism getting a proper foothold in Continental Europe. The outrage expressed by Dutch citizens in light of this Anglo-American intrusion can interestingly be elucidated by Oswald Spengler's (1920) perspective on the strife between two great Western Souls. From his perspective what we currently see is the economic battle of the English soul embodied by Anglo-American capitalism and the Prussian soul embodied by Rhineland capitalism; which both find their origin in the Germanic peoples. A discussion of the Western economic system as embodiments of these spirits will further clarify why the financial industry as I have discussed it is such a peculiarly English phenomenon. Furthermore, it will open up a discussion on how we can transform this financial industry, which will be further expanded upon in the next section.

The instincts of the English and Prussian peoples

According to Spengler the form and appearance of different economic systems, including our current Western capitalist systems, can be elucidated by studying the soul life of the countries wherein these systems have taken shape. He professes that economic systems are actively given shape by peoples in accordance with their inner soul life, in this manner being an external reflection of the soul; “Jedes Wirtschaftsleben ist Ausdruck eines Seelenlebens” (1922, p. 589). In this case the inner soul of peoples can be understood as a form of driving force, it animates us to act and think in certain ways while preventing us to act and think in other ways. By animating us to act the soul externalizes itself into the world through for example politics or economics. Likewise Anglo-American capitalism and Rhineland capitalism are the external expressions of different souls, which have arisen quite some time ago in the West, respectively the English and the Prussian soul.

Spengler (1920) states that both the English and the Prussian soul find their origin in the Germanic peoples of 8th century Europe. The Germanic peoples were Vikings and pirates by origin who sailed the Northern seas and wandered through Scandinavia, Northern Europe and England in search for plunder and bounty. In the 8th century these wandering peoples, like the Goths, Angles and Saxons, started to settle in the current Rhineland, i.e. Germany and the Netherlands, and England. Due to these changes in geographical settings the souls of the Germanic tribes started to diverge, as they had to order their way of life differently.

Those Germanic peoples who settled in current day England like the Angles and Saxons, remained largely driven by Viking instincts. The Viking as a character is driven by an intense urge to be a self-determinate, self-responsible, and independent individual. In line with this drive, the Viking measures success in the form of individual bounty he acquires through plunder and the tribe is there only to aid these individualistic endeavors. The geographical setting of England as an easily defendable island with natural borders has ensured that this individualistic and acquisitive mindset of the Viking could be maintained. For on this safe island these tribes were not forced to develop a heavily organized state which restricts individual freedom in order to fend off common enemies; in turn the English soul was born.

On the other hand, the Germanic peoples who remained on the continent of Europe in current day Germany were pressed to organize in a militaristically ordered state due to their lack of natural borders and the abundance of mainland enemies. In turn, these peoples put their trust in the authority of the state and a centralized military to keep them safe from harm. As a consequence, these Germanic peoples developed a sense of duty towards the totality of

the state and the individualistic tendencies of the Viking were driven into the background; herein lays the origin of the Prussian soul.

While the English soul is embodied by the Viking the Prussian soul is completely embodied by the Knight as a member of the Knights Order. Order Knights settled in Germany during the Middle Ages and further deepened the power and authority of the state over the individual. The Order Knights were militarily organized monks who devoted their lives to the crusades against the heretics occupying the Holy Land, i.e. current Israel. In order to attend these crusades and protect their territories from invaders the Knights Order established a well-functioning state. Contrary to the Vikings, the Order Knights established a properly organized network of roads, and build a multiplicity of castles to protect their cities and grant offices to state administrators. When the age of crusades came to an end the Order Knights retained their focus on the state as a totality and commenced in conquering neighboring provinces. The individual was a functioning part in this militaristic and economic order and was assigned specific roles to further the interests of the state in its totality. The independence of the individual was of no importance and only his loyalty was required. In other words, the Knight renounces all private interests and serves the totality of the state. A strong community feeling pervaded this Prussian state and encouraged cooperative forms of behavior as stated by Spengler “Kein “Ich”, sondern ein “Wir”, ein Gemeingefühl, in dem jeder mit seinem gesamten Dasein aufgeht. Auf den einzelnen kommt es nicht an, er hat sich dem Ganzen zu opfern” (1920, pp. 31-32). This self sacrifice by the Order Knight in order to benefit the whole of society, for example by participating in long drawn out military campaigns to protect the home land, is something astounding to the Viking who is only willing to risk his own well-being in order to self-benefit, for example by raiding and plundering villages to acquire bounty.

The instincts of the Viking and the Order Knight have guided the peoples embodying the English and Prussian souls, and in turn have determined the economics, politics and social customs of their societies. Spengler states that these instincts can be summarized in the terms of individualism for the English people and socialism for the Prussian people. In the realm of politics this entails that the English peoples whose exemplary virtues according to Spengler are “Selbstverantwortung, Selbstbestimmung, Entschlossenheit, [und] Initiative” have kept the influence of the state on the individual to a minimum; a tendency which we uncovered in those earlier discussed Anglo-American capitalist countries like the United States, England, Ireland, Australia, Canada and New-Zealand (1920, p. 31). While the Prussian peoples who value above all “Treue, Disziplin, selbstlose Entsagung, [und] Selbstzucht” have envisioned a

more organized and influential state wherein the individual is part of an overarching totality and directed towards the flourishing of the community; similarly a tendency which we unveiled in the Rhineland capitalist countries like Germany, Austria, Switzerland, Belgium, Denmark and the Netherlands (1920, p. 31). In turn, Spengler argues that the concept of the state and political reality for the English peoples is in total contrast with that of the Prussian peoples “Maximum und Minimum des überpersönlichen sozialistischen Staatsgedankens, Staat und Nichtstaat, das sind England und Preußen als politisdie Wirklichkeiten” (1920, p. 32).

Anglo-American and Rhineland capitalism as the expressions of two Western souls

Spengler states that like politics, the economic reality of different nations is an expression of their soul life. Both the English soul and the Prussian soul have expressed themselves in line with their instincts in two major economic principles, according to Spengler “so stehen sich heute zwei große Wirtschaftsprinzipien gegenüber. Aus dem Wiking ist der Freihändler, aus dem Ritter der Verwaltungsbeamte geworden” (1920, p. 50).

In countries guided by the English soul economic systems have emerged which allow for the largest amount of individual independence, responsibility and resolve. The Viking instincts have led to an English form of economics, wherein the economic space is a place for plunder and bounty. Free trade allows for this English form of economics to take place, as individuals can uninhibitedly battle between each other to acquire the majority of the spoils in the form of individual profit. In our current day capitalist economic activity the Viking feels truly at home, because in today’s society it comes closest to the feeling of raiding and hunting for booty. The neoclassical economic principles which rose to prominence in the latter half of the 20th century are completely in line with the Viking’s acquisitive and individualistic instinct. Moreover, the organizational features of Anglo-American capitalism like short-term thinking, individualist behavior, and zero job security are true expressions of the Viking instincts in search for individual spoils as well. In this capitalist system the state is there either to facilitate business or otherwise loosen the reins on the free market system. Moreover, Anglo-American firms are often no more than an accumulation of individuals with their own interests in mind, who leave the company as soon as it is no longer profitable in monetary terms to stay. Similarly, the owners of companies, the shareholders, do not have a long-term vested interest in a company but invest to acquire short-term profits. Thus, Anglo-American capitalism is the current embodiment of the English soul life.

On the other hand, in countries guided by the Prussian soul economic systems have emerged which curb individual freedoms in order to further the interests of the totality and let society prosper. The state has a large role in guiding the economy by making sure that individualistic tendencies do not get the upper hand and the economic system benefits all. Spengler states that the Prussian soul finds its fullest expression in Prussian Socialism, wherein the state, ruled by a benevolent monarch, organizes and supervises the complete economic system and assesses how economic capacities can be deployed in order to further the interests of the community. Within this system Prussian man as a ranking administrative official could truly implement his virtues of loyalty, discipline, and selfless renunciation. However, according to Spengler this system has seen its downfall at the start of the 20th century when the Prussian monarchs fell in 1918. Subsequently, more capitalist influences have taken hold in Germany and other Rhineland nations. Despite this downfall of the ‘true’ socialist Prussian economic system, the Prussian soul still expresses its knightly instincts in its current capitalist system. While Rhineland capitalism like all capitalist systems is based on free market trade and individual ownership, its main organizational features are nonetheless Prussian in nature. The state has a large role to play in these economies and intervenes in the free market in order to rein in individuals amassing exclusively private wealth and to propel the interests of the totality. Employment relationships in Rhineland capitalism are based on cooperation and loyalty, and every employee is seen as a vital part in moving the firm as a totality forward. Thus, the Prussian soul life is currently embodied by Rhineland capitalism.

Anglo-American capitalism is then the current embodiment of the English soul life and is shaped by the instincts of the Viking. As discussed earlier, the financial industry has largely emerged within these Anglo-American countries and has completely adopted all of Anglo-American capitalism’s most significant organizational features like short-term thinking, individualist behavior, flexibility and zero job security. In turn, it now becomes clear that the financial industry with its neoclassical economic principles perfectly embodies English soul life and that the iconic ‘bad apple’ Banker is largely driven by Viking instincts. In turn, the manipulative individualist investment banker who executes a hostile takeover of another firm in order to amass great individual wealth by selling off all its assets, fittingly called a corporate raider, closely resembles the Viking of old raiding the towns of other tribes in order to acquire private spoils and booty. In light of this proclamation it is no wonder that Wall Street and the City are the capital cities of this English financial industry and the hometowns to its most prestigious firms.

§4.2 A Prussian Inspired Counter-Culture Arises

In the previous section it has been shown that the organizational environment and the neoclassical economic principles of the financial industry which incentivize questionable behavior and obstruct the practice of the virtuous banker are largely Anglo-American in nature. Moreover, Anglo-American capitalism is in turn an embodiment of English soul life and the iconic 'bad apple' Banker is spurred on by Viking instincts.

In this section, I firstly argue that we have to replace the individualist Anglo-American organizational features of the financial industry with organizational features with communitarian Rhineland characteristics. As the Anglo-American features encourage individualist and selfish behaviors directed towards attaining external goods, while the Rhineland inspired features will allow for a more virtue ethics friendly financial industry environment which benefits the whole community. Secondly, I demonstrate that the financial industry is not easily reformed because the industry as an institution inspired by the English instincts heavily resists all advances to practices which are less oriented towards acquiring external goods. Moreover, I discuss how Spengler (1920) would see this revolt of the financial industry against reform as another instance of the struggle between the English soul and the Prussian soul. Subsequently, I elaborate on how we as a society can push towards transforming the Anglo-American industry in our current counter-culture and which challenges we are still facing.

§4.2.1 A hospitable financial industry exhibits Rhineland characteristics

In order to establish a more moral financial industry, the industry will need to be made hospitable to the virtuous banker and the banking profession as a communitarian practice. The Anglo-American organizational features of the financial industry are all completely directed to the acquisition of external goods in line with the industry's neoclassical economic principle to 'maximize shareholder value;' in turn the financial industry has emerged as a corrupting institution which incentivizes questionable behavior and restricts the acquisition of internal goods of the banking practice by bankers. Thus the financial industry is currently particularly inhospitable to the virtuous banker and the banking profession as a practice.

In order to make the financial industry more hospitable to the banking profession as a practice and the virtuous banker, the organizational features of the industry should be aligned with their characteristics. Banking as a practice can only flourish in this industry when its cooperative and communitarian nature is recognized and when the banker is free to strive for those standards of excellence which are demanded by the *telos* of the practice. In other words,

the banker should be free to exhibit his virtues which I established to be Justice, Courage, Honesty, Fidelity to Trust and Promise, Effacement of Self-Interest, Benevolence, and Prudence in order to manage risks and handle money in such a way that the whole of society and the client in particular benefit. The organizational features exhibited by Rhineland capitalism carefully align with these characteristics of the banking profession as a practice and the virtuous banker. While Anglo-American capitalism exhibits characteristics of individualism, short-term thinking and competition, Rhineland capitalism emphasizes loyalty, long-term thinking and cooperation.

As Albert (1993) states Rhineland capitalism is marked by a high degree of cooperative behavior between firms, colleagues and stakeholders in general; indicated by extensive inter-firm relations, the sharing of technologies and expertise, and industry wide training schemes. Overall firms within the Rhineland system are more publicly oriented by adhering to a stakeholder oriented approach wherein the interests of the various parties involved are taken into account and where informal cooperation between these firms is encouraged; which is in line with the *telos* of the banking practice. An important feature of the decision-making process in these economies is the so-called *Mitbestimmung* which entails that employee associations, shareholders and managers all participate and have a say in this process. In turn, the direction of firms and industries as a whole are not solely determined by majority shareholders, but by all stakeholders involved including society as a whole. Financial firms in Rhineland countries are often heavily involved in the industries of their countries by being the main creditors or owning shares in these industries. This has led to long-term strategic alliances where banks have to function cooperatively with their stakeholders. For example the Dutch bank Rabobank is still intimately entwined with the farming industry in the Netherlands, because traditionally this bank has been the industry's main creditor, a so-called house bank where the interests of the bank and its clients are closely aligned.

In light of this consideration we can conclude that a financial industry which embodies Rhineland characteristics is a far more hospitable place to the banking profession as a practice and the virtuous banker than an industry exhibiting Anglo-American organizational features. Let there be no doubt that even a Rhineland financial industry will largely remain directed towards the acquisition of external goods. In order to subsist as an industry and to sustain the practice of banking the financial industry will need to acquire external goods, to distribute these goods among financial industry professionals and other stakeholders, including the industry itself. Moreover, the inherent competitive nature of all forms of capitalism requires that firms are directed towards the acquisition of profits to be able to withstand the

competition. However, in the Anglo-American financial industry this has led to a manner and ferocity of striving to amass external goods to the exclusion of all other goods and the incentivization of questionable behavior, while in a Rhineland financial industry the acquisition of external goods is a means to achieve those goods internal to the practice of banking and act in line with its *telos* like serving and benefiting society at large and the client specifically. Moreover, a financial industry with communitarian Rhineland characteristics like its stakeholder orientation would impede the selfish attainment of external goods by bankers to the detriment of society at large, essentially obstructing the individualist and manipulative tendencies of the iconic ‘bad apple’ Banker. In turn, a transformed industry clears the way for the virtuous banker.

§4.2.2 *The unwilling English soul asserts itself but the Prussian soul strikes back*

In the previous sections I have concluded that a financial industry with Rhineland characteristics like cooperation, loyalty and long-term thinking, allows for the banker to perform his communitarian practice and acquire those goods internal to the practice.

In order to establish a Rhineland financial industry the current Anglo-American financial industry needs to be reformed, by eliminating those organizational features which are Anglo-American in nature and substituting those with their Rhineland counterparts. However, Hellwig and Admati (2013) conclude that the financial industry is heavily resistant towards even the most basic reforms. In their work *The Bankers’ New Clothes: What’s Wrong with Banking and What to Do about It* Admati and Hellwig argue that the financial industry has adopted some convenient but essentially flawed narratives, the so-called bankers’ new clothes as a reference to the short story *The Emperor’s New Clothes* by Hans Christian Andersen, in order to protect its private interests and obstruct all manner of reform which tries to restrict the acquisitive nature of the industry. Counted among these narratives are statements like ‘reforming banking will lead to deteriorating economic growth,’ the constant neglect of the importance of increased financial industry safety to society and the continual misuse of the concept of ‘regulatory capital.’ According to Admati and Hellwig these flawed narratives have become increasingly influential and have stopped meaningful banking reform in response to the Global Financial Crisis in its tracks. On the other hand, the impact of reforms like the Dodd-Frank act and the Basel III accords have been exaggerated by the industry in order to obscure the fact that no far-reaching reforms have been implemented; as has been discussed in section §3.1.1. In turn, the financial industry remains inherently unstable and vulnerable to crises, while it retains its acquisitive nature.

In this resistance to change we can uncover the power of an institution which has become completely directed towards amassing external goods and more profoundly the soul life which governs this institution, which we determined to be the English soul. According to Spengler “die privaten Mächte der Wirtschaft wollen freie Bahn für ihre Eroberung großer Vermögen. Keine Gesetzgebung soll ihnen im Wege stehen” (1922, p. 634). The English soul embodied by the Anglo-American financial industry obstructs all advances to restrict its Viking instincts. The thoroughly acquisitive nature of the Anglo-American financial industry is a profound expression of these instincts. All Anglo-American organizational features like short-term thinking, individualist behavior, flexibility and zero job security are embodiments of the tendencies of the Viking. In this struggle between regulators and the financial industry, we can glimpse a deeper conflict, one already proclaimed by Spengler at the start of the previous century, the struggle between the Prussian administrator and the English free-trader.

The two remaining vital soul lives of the West strive to gain the upper hand and dominate the other; one spurs on the acquisition of individual external goods while the other tames this individualist mindset in favor of the interests of society as a totality. The English soul tries to gain the upper hand by asserting that the acquisition of wealth should be one’s primary goal, as Spengler states that “man kennt die Macht jener Wikingerinstinkte schlecht, wenn man glaubt, daß das englisch-amerikanische Kapital auch nur einen Schritt auf dem Wege der absoluten wirtschaftlichen Weltherrschaft zurückweichen werde” (1920, p. 88). This power of money is fully expressed in the acquisitive nature of Anglo-American capitalism, and reaches its pinnacle within the financial industry as an institution fully directed towards external goods, i.e. money. On the other hand, the Prussian soul tries to gain the upper hand by mediating the individual acquisition of wealth by law and administering wealth prudently and cooperatively in the interest of the totality. It spurs on the Knightly instincts of loyalty, discipline and self-renunciation, which find their expression in Rhineland capitalism. Accordingly the stage of the battle between the great Western souls of our time is set, “ein Ringen zwischen Geld und Recht” (1922, p. 634).⁶

⁶ According to Spengler (1922) the struggle between money and law will eventually surmount in a great clash where a noble ruler driven not by the desire for wealth but by the desire to truly rule, emerges and overthrows the power of money; i.e. the rise of Caesarism. When this will happen is not elaborated on by Spengler, as he states that “für uns aber, die ein Schicksal in diese Kultur und diesen Augenblick ihres Werdens gestellt hat, in welchem das Geld seine letzten Siege feiert und sein Erbe, der Cäsarismus, leise und unaufhaltsam naht, ist damit in einem eng umschriebenen Kreise die Richtung des Wollens und Müssens gegeben, ohne das es sich nicht zu leben lohnt”(1922, p. 635). The question remains whether or how this will happen; however, in this thesis I will not depend on a

Currently Western society finds itself trapped in a stalemate concerning the reform of the financial industry. The English soul is heavily resisting any restrictions of its acquisitive powers, while the Prussian soul is trying to regulate the financial industry through politics without much success. However, presently we can detect another Prussian element in our societies emerging which might push the financial industry to abandon its Anglo-American roots and adopt organizational features inspired by Rhineland characteristics. This Prussian element in our Western societies is precisely that counter-culture which I discussed in the second chapter of this thesis, which emerged in response to the Global Financial Crisis and tore down the status of the iconic ‘bad apple’ Banker. Prior to this crisis economic conditions were exceptionally good for almost the entire Western population; in turn, society was not particularly focused on the ethics of the financial industry or morality in general, even though instances of questionable behavior were surmounting. However, this moral apathy changed when the consequences of the Global Financial Crisis to society became clear.

The counter-culture which veers away from emotivist modes of existence and the reverence of wealth and status is largely Prussian in nature. The main tendencies of the Prussian soul like loyalty, discipline and cooperation are to a great extent embodied by this culture. The renunciation of wealth and status can be seen in the increased interest in sustainable housing projects like the so-called tiny houses which are far from glamorous but very environment friendly or the emergence of the sharing economy the rise of which has diminished the sense of pride in ownership. Cooperative social relations are emphasized and a focus on ethical practice and sustainability within business is encouraged. People have become more interested in and loyal to sustainable businesses with artisanal produce even though buying these more expensive products would be considered to be against one’s own interests by the English soul. Moreover, they have grown to abhor unsustainable large businesses which sell mass produced products and where workers are treated unfairly. However, the largest backlash within this counter-culture has been against the unsustainable and harmful practices of the Anglo-American financial industry.

Currently we see something capricious happening, this counter-culture uses the power of money against the interests of Anglo-American businesses and more specifically against the interests of the Anglo-American financial industry by depositing their money at financial firms with Rhineland characteristics. Moreover, other financial services like applying for credit or mortgages are increasingly being selected on the basis of the characteristics of financial firms

Caesar to overthrow the Anglo-American financial industry, but will put my faith in the Prussian soul embodied anew within our Western society.

in line with Rhineland characteristics. Green banks embodying Rhineland characteristics, like ASN Bank and Triodos Bank in the Netherlands, are on the rise in Western societies. Moreover, in light of scandals at Anglo-American inspired financial firms, like the salary scandal at the Dutch bank ING (Dekker, 2018), people are deserting these firms and flocking towards Rhineland inspired financial firms. In this communitarian counter-culture people are voting with their wallet, by using the characteristically English power of money to fund Rhineland financial firms and in turn transform the Anglo-American financial industry.

The surmounting prominence of this counter-culture forces those financial firms with Anglo-American organizational features to reconsider their strategies, as they are facing economic and existential consequences when they refuse to reform. However, the English soul does not give up this easily and even facing annihilation shall abstain from radically adopting Rhineland organizational features. Instead the Anglo-American financial industry will likely marginally transform its practices in order to facilitate a positive change to its image and reputation; by loudly proclaiming that it has drastically changed its ways, as it has done in light of the marginal regulatory reform in response to the Global Financial Crisis. The counter-culture should be wary of these kinds of deception and truly scrutinize and push the Anglo-American financial industry until meaningful reform has been accomplished. Therefore, to change the financial industry we have to capitalize on the momentum this counter-culture movement has procured and strive to retain this energy in the future; for when the Prussian instincts of the counter-culture slacken and the momentum ceases the English soul embodied by the Anglo-American financial industry will emerge victorious.

§4.2.3 The challenges the financial industry and the virtuous banker are still facing

In this thesis I have set out to depict how we can establish a more moral financial industry by taking both a systemic character oriented approach in the previous two chapters and a systemic circumstance oriented approach in this chapter. I have argued that we should posit banking as a communitarian practice in MacIntyre's sense which is directed towards the flourishing of society and the interest of the client in particular by means of managing risks and handling money; in order to strengthen the moral character of the banker which was weakened by our modern moral disarray. Moreover I have stated that the current counter-culture we find ourselves in is Prussian in nature and directed at transforming the individualist Anglo-American financial industry into a more communitarian industry by encouraging cooperative Rhineland characteristics.

In light of this elaboration few challenges still remain which will need to be addressed in further research. First of all, the transformation of the individualist Anglo-American financial industry and the advance of the communitarian banking practice are largely dependent on the force of the current Prussian inspired counter-culture as a change will not come from within this English industry. Therefore, a more extensive study of the counter-culture will need to be undertaken in order to show what the precise effects of this culture are and whether it will be able to transform the financial industry on its own. Secondly, I have largely omitted the role of politics within the discussion of this thesis, while this role will likely be of paramount importance in transforming the Anglo-American features of the financial industry. Spengler (1920; 1922) and Albert (1993) both heavily emphasize the role of politics to curb the excesses of economies; thus this role will need to be elucidated by further research. Thirdly, large economic shifts are currently taking place like increasing globalization, the emergence of a digital economy with new transformative technologies like blockchain, and the United Kingdom leaving the European Union. All these changes will likely affect the financial industry in one way or the other, for example one could imagine that increasing globalization can obstruct the counter-culture's push towards more communitarian characteristics. Therefore, these economic shifts will need to be further studied in light of a Rhineland financial industry.

Conclusion

Wenn wir [...] die Menschen nur nehmen, wie sie sind, so machen wir sie schlechter; wenn wir sie behandeln, als wären sie, was sie sein sollten, so bringen wir sie dahin, wohin sie zu bringen sind.
{Goethe, 1902, p. 302}

In this thesis I have set out to establish a more moral financial industry, in light of the grave harm the financial industry has inflicted on peoples across the globe.

In this endeavor I have discussed and extended the ethical framework by Kvalnes and Nordal (2018) and Luyendijk (2015). In this framework they establish that questionable behavior is normalized in the financial industry through a process of moral neutralization which nullifies moral dissonance in bankers. Questionable behavior is incentivized by the organizational environment of the financial industry which is inspired by principles explicated in a wafer-thin rule-based morality. In other words, the financial industry is a bad barrel.

I have extended and criticized this ethical framework by showing that through a systemic character oriented approach we can demonstrate that the moral character of the banker and of Western society in general has been weakened and that bankers in turn are more vulnerable to the process of moral neutralization. The impairment of the moral character of the banker has been caused by the non-rational abstract nature of our modern moral principles and the subsequent emergence of emotivism as discussed by MacIntyre (1981). Moral principles are now predominantly selected by subjective choice instead of being based in rational argument, which entails that bankers are easily swayed by the moral neutralization processes. Moreover, I have shown how the iconic character of the manipulative emotivist ‘bad apple’ Banker rose to fame during the last decades of the 20th century and how this role model has further negatively affected the character of regular bankers. In turn, I have professed that the financial industry does not only deal with a bad barrel problem but with a problem concerning a bad barrel filled with apples considerably prone to rotting. As a consequence, to solve the ethical problems of the financial industry we have to deal with both the moral character of the banker as well as with the organizational environment of the financial industry, i.e. by using a systemic character- and systemic circumstance oriented approach.

To strengthen the moral character of the banker against the sway of moral neutralization by means of a systemic character oriented approach, I have posited a normative professional ethics as an adaptation of Pellegrino’s (1995, 2008) three-tiered ethical framework for the physician. This professional ethics states that the moral banker should act in observance of:

the laws of the land, rights and the fulfillment of duties, and virtues. The virtue ethics present in this framework is based in MacIntyre's assessment of practices. Banking is framed as a practice with its own *telos*, internal goods, and virtues. I have determined the *telos* of the banking practice to be communitarian in nature as the banker is directed towards the flourishing of society in general and the interests of clients in particular by means of appropriately managing risk and handling money. I have posited the virtues of the banking practice which allow for the attainment of the *telos* to be Justice, Courage, Honesty, Fidelity to Trust and Promise, Effacement of Self-Interest, Benevolence, and Prudence. Moreover, I have depicted the virtuous banker character of George Bailey as a new moral reference point.

In the systemic circumstance oriented approach I have shown that the organizational environment of the financial industry which incentives questionable and individualist behavior is mainly Anglo-American in nature and is an embodiment of English soul life by discussing Albert (1993) and Spengler (1920; 1922). To decrease the incentivization of questionable behavior and to increase the hospitality of the financial industry to the virtuous banker I have determined that it would be desirable to adopt communitarian Rhineland characteristics in the financial industry based on loyalty, long-term thinking and cooperation. However, the Anglo-American financial industry as an embodiment of the English soul with its Viking instincts is currently preventing regulations and other pushes to implement Rhineland features in the financial industry. On the other hand, we currently see a powerful counter-culture arising in response to the Global Financial Crisis which is Prussian in nature with Knightly instincts and which strives to transform the financial industry by only purchasing services at Rhineland inspired financial firms and by protesting the incentivization of questionable behavior by Anglo-American inspired financial firms. It is of great essence that this movement retains its energetic force and does not slacken in light of improving economic conditions, for then the individualist Anglo-American financial industry will persevere.

The road to strengthening the virtuous moral character of the banker and transforming the individualist Anglo-American financial industry will be a long and challenging one, however we must not falter or despair for this could lead to crises the likes of which we have yet to encounter, instead our Prussian spirit must spur us on in pursuance of that ideal which can benefit societies for the foreseeable future to come: a more moral financial industry.

Nein, ich bin kein Pessimist. Pessimismus heißt: keine Aufgaben mehr sehen. Ich sehe so viele noch ungelöst, daß ich fürchte, es wird uns an Zeit und Männern für sie fehlen.

{Spengler, 1921}

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