

Ethics in Finance

Christina Kleinau

Ethics in Finance

**Integrating Ethics into Analysis and
Decision-Making in a Financial Context**

Bibliografische Informationen der Deutschen Nationalbibliothek

Die Deutsche Nationalbibliothek verzeichnet diese Publikation in
der Deutschen Nationalbibliografie; detaillierte bibliografische
Daten sind im Internet über <http://dnb.ddb.de> abrufbar

ISBN 978-3-86573-902-5

© 2015 Wissenschaftlicher Verlag Berlin

Olaf Gaudig & Peter Veit GbR

www.wvberlin.de / www.wvberlin.com

Alle Rechte vorbehalten.

Dieses Werk ist urheberrechtlich geschützt.

Jede Verwertung, auch einzelner Teile, ist ohne
Zustimmung des Verlages unzulässig. Dies gilt
insbesondere für fotomechanische Vervielfältigung
sowie Übernahme und Verarbeitung in EDV-Systemen.

Druck und Bindung: SDL – Digitaler Buchdruck, Berlin

Printed in Germany

€ 33,00

Table of Contents

List of Tables.....	9
List of Figures	11
List of Abbreviations	13
1.0 Introduction	15
1.1 Exposition of the problem	19
1.2 Objective of the dissertation.....	22
1.3 Structure of the dissertation.....	26
2.0 Principles of ethics in finance	29
2.1 Consequentialist Principle 1: Do no harm	30
2.1.1 Key consequentialist insights.....	31
2.1.2 Key criticisms of consequentialism.....	33
2.1.3 Derivation of the principle.....	36
2.2 Contractualist Principle 2: The societal value of just institutions is to be respected and advocated for	38
2.2.1 Key contractualist insights.....	39
2.2.2 Key criticisms of ethical contractualism	44
2.2.3 Derivation of the principle.....	45
2.3 Kantian Principle 3: The maxim of a decision must be universalisable.....	45
2.3.1 Key Kantian insights	46
2.3.2 Key criticisms of Kantian deontological ethics	50
2.3.3 Derivation of the principle.....	51
2.4 Aristotelian Principle 4: Individual competencies must be developed in relation to societal excellence and realised via virtuous conduct	53
2.4.1 Key Aristotelian insights	54
2.4.2 Key criticisms of Aristotelian virtue ethics	59
2.4.3 Derivation of the principle.....	59
2.5 Conclusion	60

3.0 Conditions of action in the modern financial system	65
3.1 Individual constituents of the financial system	67
3.1.1 Finance theory	67
3.1.2 Regulators of financial markets	74
3.1.3 Financial institutions	77
3.1.4 Summary	81
3.2 The financial system as a collective	84
3.2.1 Efficiency	85
3.2.2 Stability	87
3.2.3 The interdependency between efficiency and stability	90
3.3 Conclusion	93
4.0 The theoretical integration of ethics in finance.....	95
4.1 Identifying systematic threats to the productivity of the financial system ...	96
4.1.1 Short-termism.....	97
4.1.2 Systemic risk	102
4.1.3 Summary	108
4.2 Applying the principles of ethics in finance to enhance the productivity of the financial system	109
4.2.1 Utilitarian Principle 1: Do no harm.....	116
4.2.2 Contractualist Principle 2: The societal value of just institutions is to be respected and advocated for.....	122
4.2.3 Kantian Principle 3: The maxim of a decision must be universalisable	127
4.2.4 Aristotelian Principle 4: Individual competencies must be developed in relation to societal excellence and realised via virtuous conduct.....	133
4.3 Conclusion	139
5.0 Conclusion.....	143
Appendices.....	149
Appendix A	149
Appendix B	151
References	187