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Citation: Rocchi, Marta, Ferrero, Ignacio and Beadle, Ron (2021) Can Finance Be a Virtuous Practice? A MacIntyrean Account. *Business Ethics Quarterly*, 31 (1). pp. 75-105. ISSN 1052-150X

Published by: Cambridge University Press

URL: <https://doi.org/10.1017/beq.2020.5> <<https://doi.org/10.1017/beq.2020.5>>

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# CAN FINANCE BE A VIRTUOUS PRACTICE?

## A MACINTYREAN ACCOUNT

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**Abstract:** Finance may suffer from institutional deformations that subordinate its distinctive goods to the pursuit of external goods, but this should encourage attempts to reform the institutionalization of finance rather than to reject its potential for virtuous business activity. This article argues that finance should be regarded as a domain-relative practice (Beabout 2012; MacIntyre 2007). Alongside management, its moral status thereby varies with the purposes it serves. Hence, when practitioners working in finance facilitate projects that create common goods, it allows them to develop virtues. This argument applies MacIntyre's widely acknowledged account of the relationship between practices and the development of virtues while questioning some of his claims about finance. It also takes issue with extant accounts of particular financial functions that have failed to identify the distinctive goods of financial practice.

**Keywords:** MacIntyre, Finance Ethics, Virtue Ethics, Finance, Domain-Relative Practice.

**Citation style:** Chicago-Style Citation

The extent to which financial professionals may be virtuous human agents is a live debate in both the academy (Ferrero and Sison 2017; MacIntyre 2015; Rocchi and Thunder 2019; West 2018; Wyma 2015) and the public square (Parliamentary Commission on Banking Standards, United Kingdom 2013; Wildman 2014). Although some recent appraisals condemn the ethics of financial agents (Knights and McCabe 2015) and others critique their competence (De Bruin 2015), many have turned to Alasdair MacIntyre's oft-cited (Ferrero and Sison 2014) argument about the positive relationship between the development of human virtues and participation in social practices to frame their contributions.

MacIntyre's distinctiveness within the literature on virtue in business derives from the analytical resources provided by his complex account of the relationship between the workplace and the development of virtues (Beadle 2017a). For example, in their highly cited account of development of open-source software, Krogh et al. (2012) reject frameworks including self-determination theory because the resources they provide are inadequate to explaining dynamics that involve individual agency and social practice in the context of institutions. Their account of coders having forsaken income and career to establish open networks required the theorization of virtues, practices, goods, and institutions which MacIntyre provides. Without the coders' commitment to their practice, their understanding of the injury that would befall its development were codes to be protected by institutional property rights, and their courage in leaving MIT, the development of open-source software would be inexplicable. No other account of virtue in business offers the analytical resources provided by MacIntyre: "we believe the greatest research opportunities lie in those questions found at the intersection between social practices and institutions, against which individual motivations can and should be understood" (Krogh et al. 2012: 671). This analytical breadth accounts for the centrality of MacIntyre's work to the virtue-in-business field and his immunity to the critique that virtue in business amounts to wishful thinking.

One crucial question for MacIntyrean studies is whether finance (or specific financial professions) provides that combination of purposes, excellences, and relationships through which agents might develop virtues. While MacIntyre has argued (2015) that success in financial trading is available only to those who have developed vices (in particular reckless risk-taking and avarice), contributions in business journals have taken a more positive view (e.g. Rocchi and Thunder 2019, in direct response to MacIntyre 2015).

As applied ethicists of many stripes have sought to apply MacIntyre's account of the virtues to professional life, the identification of such goods that he calls "internal" (MacIntyre 2007[1981]) has been pivotal (Beadle 2017a), and particularly extensively debated when related to business and finance (Beadle 2017b; MacIntyre 2016). According to MacIntyre, our virtues are developed through persistence in the pursuit of these internal goods, the relationships we develop with other practitioners, and our defense of these goods and relationships from a variety of harms and dangers (Beadle 2013; Tsoukas 2018). In the absence of such practice-based contexts as those afforded by jazz bands (Banks 2012), surgical teams (Hall 2011), and military units (MacIntyre 2000), our desires will remain untutored and we will fail to recognize, let alone pursue, the distinctive human excellences that enable us to achieve such goods (MacIntyre 2016). To make the case that finance is this type of practice, to distinguish it from both the variety of institutional forms and the deformations with which it has been associated, and thus to secure an argument for the virtue of financial professionals, we must identify the internal good(s) whose pursuit characterizes finance, and the associated narrative histories through which their achievement has been recorded.

For MacIntyre, both the identification of particular classes of human activity as practices and the distinctions that mark off one practice from another rely on the goods that such

practices uniquely pursue. These “internal goods” are the *sine qua non* in his definition of a practice as:

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.

(MacIntyre 2007: 187)

Such goods are “internal” in two connected respects. They address both the achievement of the standards of excellence typical of a particular practice and the excellence of the practitioners themselves (MacIntyre 2007; Moore 2017). In locating the ineliminable relationship between such goods, MacIntyre synthesizes Aristotle’s distinction between action (*praxis*) and production (*poiesis*) and thereby overcomes Aristotle’s cultural preference for contemplation (Knight 2008). When an account of the virtues is rooted within an account of practice, they are no longer the preserve of an Athenian or later elite, but the very stuff of moral development for the rest of us.

Research adopting MacIntyre’s notion of practice has sought to identify goods internal to practices as diverse as nursing (Sellman 2000), teaching (Dunne 2003), circus arts (Beadle and Könyöt 2006), and professions in general (Serrano del Pozo and Kreber 2015). In the field of business and management, the application of the notion of practice has been controversial (Sinnicks 2019), inasmuch as the pursuit of internal goods is in tension with the potentially corrupting pursuit of money, status, and power—goods that MacIntyre calls “external” (MacIntyre 2007). When the logic of external goods prevails within an institution, the pursuit of internal goods becomes vulnerable to corruption. Even if this occurs in a particular institution, as the aforementioned coders believed to be the case (Krogh et al.

2012), the practice itself retains its potential to be pursued, as that case also demonstrated. Examples of corruption or misdirection are thereby not conclusive when we consider whether particular activities should be understood as practices.

A second controversy concerns conduct across organizational contexts. These include management (Brewer 1997) and teaching (Dunne 2003), whose status as practices had been disputed. Beabout (2012) offered a novel conception to resolve this issue, arguing that both management and teaching should be seen as “domain-relative practices.” This category comprises activities whose goods always sit in relation to other practices, such as the teaching *of* mathematics or the management *of* a particular project, and whose modalities vary significantly. Nevertheless, argues Beabout (2012), teachers and managers share enough of the conceptualization and pursuit of internal goods that they should be characterized as participating in a practice. It is this that enables those who teach Mathematics and Spanish to be likewise understood as “teachers,” and those who manage aeronautical companies and circuses to be rightly labeled as “managers.” Inasmuch as we can meaningfully identify both goods that are unique to teaching and management and the standards of excellence towards which good teachers and managers strive, we can argue that both are practitioners. Similarly, against the background of significant dispute as to the status of a variety of financial activities including banking (van de Ven 2011; Robson 2015), financial trading (MacIntyre 2015), investment advising (Wyma 2015), and accounting (West 2018), this article argues that finance shares the characteristics of such domain-relative practices and should be so understood.

The first section of the article contains a review of MacIntyre’s critique of finance along three lines (his perspective on finance, business ethics, and the institutions of capitalism). The second section lays the groundwork for the main argument, by examining the concept of internal goods, establishing the relationship between potential and actualization in

distinguishing practices from other activities, and retracing the original meaning of financial activity to identify both its internal goods and its potentialities as a site of a morally educative practice. The third section considers the argument for finance as a domain-relative practice, and for the identification of the “internal standards of excellence identifiable to practitioners” and the relationship “to another particular domain” as elements established by Beabout in the definition of domain-relative practices (2012: 414). The fourth section presents the institutional and technological challenges to the realization of finance as a domain-relative practice. While we hope that this article will provide a foundation for further research into virtues in finance, engagement with finance ethics authors outside the virtue tradition (e.g. Boatright 2010, 2014) is beyond the scope of the article.

## 1. MACINTYREAN ETHICS AND THE CONTEXT OF THE CURRENT INQUIRY INTO FINANCE

### *1.1 MacIntyre’s Perspectives on Contemporary Financial Capitalism*

As the most cited contemporary virtue ethicist in business ethics (Ferrero and Sison 2014), MacIntyre is also regularly cited in research on financial ethics (e.g. Bielskis and Knight 2015; Ferrero and Sison 2017; Sison et al. 2018; Roncella and Ferrero 2018). However, scholars who apply his work in the context of the financial sector must overcome the challenge of his own oft-stated criticism towards finance. Our exploration of MacIntyre’s hostility toward finance is reviewed along three main lines of criticism (as highlighted by Rocchi 2019a) that he develops towards: a) the financial sector; b) business ethics; and c) the institutions of capitalism in advanced modernity.

#### 1.1.1 The Financial Sector

MacIntyre's 2010 lecture "The Irrelevance of Ethics" (published as MacIntyre 2015) received coverage in the news media following its delivery (Cornwell 2010), and since its publication has provoked responses from financial ethicists (Wyma 2015; West 2018).<sup>1</sup> It comprises his most systematic consideration of financial activity, making three claims. First, teaching business ethics in universities does not help students who will work as finance professionals to develop their moral character, but distracts them from reflecting on the causes of the moral deficiency of the institutions where they will work. Second, working in the financial sector is a "school of bad character" (MacIntyre 2015: 12), since those who want to be successful will need to develop those habitual dispositions that directly oppose virtues; by the same token, virtuous education precludes a successful career in finance. Third, money is perceived as an end rather than a means; this way of thinking about money generated a new kind of hierarchy (2015: 14), which is substantially different from the hierarchy of the virtues. On his second point, MacIntyre goes as far as to review the catalog of vices that a financial trader needs to develop in order to be successful as financial agent. For example, on risk-taking he suggests that traders are "unable to distinguish adequately between rashness, cowardice and courage" (2015: 11); and at the end of his review of their vices, he concludes that "were we successfully to impose on someone the kind of discipline that issues in the formation of genuine moral character, we would have disqualified that someone from success as a trader and, most probably from employment as a trader" (2015: 12).

This is not the only occasion on which MacIntyre explicitly addresses financial activity. In his interview with *Kinesis* (MacIntyre 1994b), he refuses to grant to financial management the status of practice. He argues that

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<sup>1</sup> Regardless of the quality of MacIntyre's arguments in this lecture, his notoriety as a philosopher generates interest in his account of finance in and of itself.

The assumption of financial management is that one can be interested in the accumulation of money without having an eye to what that money is going to be used for. It's crucial that money is treated as if it were an end. [...] Money is treated as having magnetism of its own, so that money becomes the kind of thing that is treated as though it could be a human end. Now, it isn't. (MacIntyre 1994b: 40)

In anticipation of the 2015 article, he further argues: "Farmers can become corrupted by not developing those capacities which make them excellent as farmers. Financial managers can become corrupted by developing precisely those capacities which make them excellent as financial managers" (MacIntyre 1994b: 40). He explicitly refuses to enumerate in the realm of practice any human activity that he sees either as exclusively oriented to the mere accumulation of wealth or as encouraging people to develop vices.

### 1.1.2 Business Ethics

For the second stream of this review, we consider MacIntyre's notably critical position toward applied ethics. In "Why Are the Problems of Business Ethics Insoluble?" (MacIntyre 1977), he explicitly mentions that managers share the same problems of any moral agent; however, the ends that managers need to achieve are in striking contrast with the pursuit of a good life in Aristotelian terms. In light of the cited sources (MacIntyre 1994b, 2015), this judgment seems to apply to financial agents also.

MacIntyre's criticism of business ethics is so strong that he labels this discipline as "honor among thieves" (MacIntyre 1994b: 41). Rocchi (2019a: 114) summarizes this critique as comprising four interconnected claims, insofar as business ethics: i) limits itself to expressing moralism about the existing economic system, instead of moral evaluations; ii) refuses dialog with other disciplines; iii) claims to have an impact on the formation of moral character; and iv) is the fruit of the modes of thought directly descended from advanced modernity, which

have caused the compartmentalization of the acting subject both in philosophical theory and in daily practice.

### 1.1.3 The Institutions of Capitalism

MacIntyre's critique of business ethics follows from his wider critique of the structures of capitalism in advanced modernity. In 1979 he first raised the question of whether corporate modernity and moral judgment were mutually exclusive (MacIntyre 1979), presenting arguments that anticipated his notorious description of the character of the manager in *After Virtue* (MacIntyre 2007). According to this account, managers are both materially and ideologically emblematic of corporate modernity in the work that they undertake to transform resources into products and services, and by possessing a practical rationality which concerns itself only with means. The institutionalization of such limited rationality precludes consideration of wider goods (MacIntyre 1979). MacIntyre argues that managers' rationality is compartmentalized both within institutions and within a wider social order in which opportunities for agents to reason together about common goods are marginal (MacIntyre 2006, 2016).

Given the thoroughgoing nature of MacIntyre's critique of capitalism and modernity (Sayers 2011), it may be argued that he provides few, if any, resources for a case about the moral purpose of finance. In the next section we will propose, however, that his notion of "practices" provides a model for understanding the potential of financial professions as morally educative spaces.

### *1.2 Do the Institutions of Financial Capitalism Crowd Out Virtues?*

Practices, according to MacIntyre, include the full range of arts, sciences, and "productive crafts" (MacIntyre 1994a: 284), each of which has identifiable internal goods whose

definitions, exemplars, and extensions are subject to ongoing narrative histories. But practices do not exist in isolation; in order to survive and to prosper they require institutions that enable the achievement of those “external goods”—especially money, status, and power—on which they depend, for “no practices can survive for any length of time unsustained by institutions” (MacIntyre 2007: 194). In Chapter 14 of *After Virtue*, MacIntyre lists examples of institutions related to practices: hospitals for the practice of medicine, universities for the practice of physics, chess clubs for the practice of chess.

The relationship between practices and institutions provides a theoretical framework for a distinctive organizational sociology (e.g. Moore 2017; Krogh et al. 2012) in which they form a “single causal order” (MacIntyre 2007: 194). The lives of practitioners, practices, and institutions cannot be understood independently of each other, or of virtues and vices; to describe any aspect of our lives without reference to such human characteristics is to misdescribe. Critically, the competitiveness of institutions creates a tension between institutional representatives intent on pursuing external goods and practitioners pursuing internal goods; the former may tend to vice, the latter to virtue (Beadle and Moore 2006). The role of the virtues in institutions is not only to pursue the goods of practices in the context of relationships informed by such virtues as courage, justice, and honesty but also to protect practices from institutions: “without them, without justice, courage and truthfulness, practices could not resist the corrupting power of institutions” (MacIntyre 2007: 194). The classic dilemma of quality vs. costs is a case in point, where the costs of maintaining quality are likely to be defended by practitioners against institutional initiatives to reduce them. While some product markets, especially in services, may reward quality, and hence provide an institutional logic that supports high costs, most manufactured and processed goods do not (Keat 2008).

It is important to note that this model is not only applicable to contemporary capitalism. The complex interaction between goods of different kinds, virtues (and hence vices), practices, and institutions is just as evident in the political machination of the medieval University of Paris (MacIntyre 1990) as it is in the financial crisis of 2007–8 (MacIntyre 2015). Contemporary capitalism is, however, particularly notable for the extent to which institutional priorities for money and aggrandizement have driven out the pursuit of the internal goods of practice. Where the goods of money and power exclude those of practice in the deliberative rationality of organizational agents, the work of practitioners may be directed to the pursuit of those external goods, replaced, broken down into parts, and reassembled into job roles which develop skills but not virtues (Beadle and Knight 2012; Breen 2007).

Such dynamics, essential as they are to the operation of markets (Polanyi 2001[1944]), provide occasion for conflict between the claims of the market and those of practices. Those on the side of the market will look not only to arguments such as those provided by Hayek (1988) regarding the epistemological foundations for the superiority of markets over other systems of resource allocation, but, at a more fundamental level, to characterize individuals as preference maximizers (MacIntyre 2016). However, this understanding of the human good requires the denial of precisely that which MacIntyre and other teleologists assert: that human beings have a distinct nature and that our flourishing can only be achieved if limits are placed on markets and other social arenas through which untutored desires might be pursued. According to MacIntyre, it is not preferences that should be maximized but our understanding and achievement of distinctive human goods (MacIntyre 2016).

Although avarice (disordered unlimited desire for material acquisitiveness) is considered a vice in the types of communities which bear allegiance to a distinctive notion of the human good, MacIntyre argues that it becomes a requirement for those engaged in that agora of preference maximization that is the trading floor. He suggests (MacIntyre 2015) that the

agency of traders must be directed to the achievement of margins that necessitate higher risk. Inasmuch as the pursuit of the excellence of, say, surgery requires the acquisition of such virtues as patience and diligence, so the pursuit of financial goals requires the acquisition of such vices as self-aggrandizement and imprudence: “Just as the successful training of a boxer will destroy his prospects as a violinist, the inculcation of qualities of moral character is no way to prepare someone for a rewarding career in the financial sector. Ethics is not just irrelevant. It is a probably insuperable disadvantage” (MacIntyre 2015: 12).

Traders serve as a proxy for other financial agents who “are able to function as they do only because and insofar as traders function as they do” (MacIntyre 2015: 12). MacIntyre does not regard finance as a practice, though in his view it is apparent that “the financial sector” comprises institutions devoid of practices. And here lies the nub of the problem. Given that financial exchanges occur within a nexus of institutions and regulatory conventions, MacIntyre would have done well to consider the possibility that finance is a practice undermined by a particular mode of institutionalization. If so, the reform of its characteristic institutions, such as those proposed by Moore (2012), may enable it to recover. Equally, were finance to be considered as a domain-related practice in the same manner as teaching, management, public speaking, writing, and coaching (Beabout 2012), its prospects would also turn on the local and particular modalities of its institutionalization. If MacIntyre is correct to identify finance as an activity outside practice, then reform efforts are misdirected. Much then depends on whether it is possible to class finance as a domain-relative practice. Thus, the next section will identify the original meaning of financial activity in light of the central concepts of MacIntyrean enquiry, characterizing the internal good(s) that finance pursues, while the third section works towards the characterization of finance as a domain-relative practice.

## 2. THE ORIGINAL MEANING OF FINANCIAL ACTIVITY:

### LAYING THE GROUNDWORK

#### *2.1 Placing Internal Goods in MacIntyrean Inquiry*

This section lays out the place and characterization of internal goods in MacIntyrean inquiry as a prelude to the presentation of the arguments for the existence and characterization of internal good(s) of financial activity, in light of the rediscovery of its original meaning.

In introducing the concept of goods internal to practices in *After Virtue*, MacIntyre (2007) provides the example of a child learning to play chess. If the sole motivation for the child to play is to receive candy, the child has good reason to cheat. However, participation in practices is potentially transformative of desire, such that the child might acquire further motivations “for trying to excel” through “those goods specific to chess,” which comprise a highly specific form of “analytical skill, strategic imagination and competitive intensity” (2007: 188). The child would then be playing in order to pursue the goods internal to chess.

Three consequences follow, which are relevant for the understanding, *mutatis mutandis*, of potential internal good(s) of finance. First, the child’s incentive to cheat would disappear, for success in cheating would undermine the achievement of the unique goods of chess. Second, the child would realize that the only way to achieve such goods is to commit to the participation in the practice of chess and thereby acquire skills and virtues that are necessary to this achievement. These would, in some fashion, be proportionate to commitment. Third, the child would gain an understanding of the rules of chess as being prerequisite to any genuine achievement in the game. Through this learning, the child’s attitude towards a variety of corruptions might be transformed and their understanding of the virtue of justice, even if inarticulate, would be enhanced. So it goes with other practices.

This example shows how any achievements gained by those who participate in a practice are non-rival and non-excludable; although they are achieved by single individuals, they

produce goods “for the whole community” (MacIntyre 2007: 190). These are specific characteristics of those goods that MacIntyre calls “internal.” Internal goods can be described only in relation to a specific practice and can “only be identified and recognized by the experience of participating in the practice in question” (MacIntyre 2007: 188–9). The source for the characterization of the good(s) internal to an activity which has the status of practice are its practitioners. Likewise, the activity can only progress insofar as its participants effect change which enhances the goods achieved within and through the activity. Thus, Moore effectively argues that “internal goods are of two kinds. First, there is the good product or, we may add in an organizational context, the good service. [...] Second, however, there is the internal good which involves the perfection of the practitioners engaged in the craft or practice” (Moore 2017: 57).

The characterization of MacIntyre’s internal goods becomes clearer when compared with those goods that he labels as “external.” External goods (albeit genuine) are goods which are either unrelated or only contingently related to practices: goods characterized by personal property and limited quantity. External goods include money or other material goods, power, and status. They are scarce (while internal goods are potentially abundant), and competition for them is characterized as zero-sum. While external goods are linked to a practice “by the accidents of social circumstances” (MacIntyre 2007: 188) and could be achieved by performing other kinds of activities, internal goods can only be achieved by participating in the practice itself. The conception of these good(s) internal to the practice is key to the understanding of the practice itself:

What is distinctive in a practice is in part the way in which conceptions of the relevant goods and ends which the technical skills serve—and every practice does require the exercise of technical skills—are transformed and enriched by these extensions of

human powers and by that regard for its own internal goods which are partially definitive of each particular practice. (MacIntyre 2007: 193)

Chapter 14 of *After Virtue* is the most cited source for a primary understanding of internal goods, but is not the only one. For example, in “A Partial Response to My Critics,” MacIntyre explains the difference between internal and external goods in the context of a fishing crew (MacIntyre 1994a); and in the postscript to the second edition of *After Virtue*, he specifies that internal goods “are not the ends pursued by particular individuals on particular occasions, but the excellences specific to those types of practices which one achieves or fails to achieve” (MacIntyre 2007: 274). In *Whose Justice? Which Rationality?* (MacIntyre 1988), he again stresses the importance of social context in the way in which different goods are pursued: “When social change transforms institutions, so that the systematic pursuit of excellence in some area or areas becomes incompatible with the pursuit of the goods of riches, status, and prestige, the differences between the two types of pursuit and between the goods which are their objects become all too clear” (MacIntyre 1988: 32).

While external goods can be achieved by the vicious, internal goods require the virtues to order relationships between practitioners (whatever the practice may be), and to enhance their directedness and their practical deliberations towards those goods. Without “a whole range of key virtues”—MacIntyre explicitly includes justice, courage, and honesty—“the goods internal to the practices are barred to us” (MacIntyre 2007: 191), in part because: “It belongs to the concept of a practice as I have outlined it [...] that its goods can only be achieved by subordinating ourselves within the practice in our relationship to other practitioners” (MacIntyre 2007: 191).

It is, for example, only through our subordination to the existing standards of the practice and to those who teach them, even before we have appreciated the rationale for such, that we can, over time, develop such understanding (MacIntyre 1990: 61–62). By their contributions

to the achievement of the internal goods of practices, and the development both of goods and of their conceptualization, practitioners contribute to the ongoing narrative history that is itself a precondition for the coherence of the practice. None of this is to deny the role of conflict within practices and the possibility of change, evolution, and transformation as techniques, materials, tools, applications, and the like are developed, tested, and disputed. It is in large part the history of such disputes that provides the material of the history of practices as distinct as farming, portraiture, and physics.

Summing up: internal goods can be achieved in the specific context of a practice; they relate to both the standards of excellence of the activity considered as practice and the excellence of the practitioner(s); they can be discovered, understood, and specified only by those who participate in the practice; their achievement is necessarily supported by the exercise of the virtues; and their relationship with external goods can be complex, inasmuch as external goods follow the logic of the institution, which can drift from its original purpose of protecting the practice.

## *2.2 Categorizing “Potential” Practices*

Two further points need to be made. The first feature of this understanding of practices (and one that is rarely, if ever, noted) is an implication of their attractiveness for reasons other than those of internal goods. For example, the characterization of the action of the chess-playing child as “playing chess” held both at the time before they had acquired directedness towards the goods internal to chess and afterwards. Equally, MacIntyre’s oft-cited example of the fishing crew motivated by external goods (MacIntyre 1994a: 284–86) does not undermine his claim that fishing is a practice whose internal goods are available to those devoted to its particular excellences.

Such examples presuppose that practices should be distinguished by their potential rather than by their particular actualizations. The definition of practices may be precise inasmuch as it provides grounds for ruling out activities that lack the relevant complexity, coherence, social embeddedness, production of internal goods, and so on (Beadle 2002), but it is not essentialist, as participants may realize various goods both through and as a result of such participation. Even if some, many, or even all participants engage in practices for the sake of external goods, developing necessary skills (MacIntyre 2007: 193) but not exercising virtues, the activities do not cease to be practices, even if such misdirected engagement imperils them. History is littered with neglected, abandoned, or lost practices (Nicholas 2012), but they remain practices nonetheless.

The relevance of this point for our argument requires us to highlight the three categories that emerge when we are to distinguish human activities in relation to their potential to be practices as MacIntyre understands them, and/or their current actualization as practices.

According to this criterion, it is possible to identify:

- Practices that are actually practiced as “practices.” MacIntyre’s examples include architecture, medicine, the game of chess, and football (MacIntyre 2007); “domain-relative practices” actually practiced as such include teaching, management, public speaking, writing, and coaching (Beabout 2012);
- Human activities that have all the necessary characteristics to be conducted as MacIntyrean practices or domain-relative practices, but that are not currently conducted in pursuit of internal goods (e.g. the game of chess played by computers, design of concentration camps, over-prescribing of drugs, managing an organization devoted to human trafficking);
- Human activities that have no potential to be practices: MacIntyre’s examples include bricklaying, tic-tac-toe, skillful passing in football (MacIntyre 2007).

This is a complex set of alternatives and we must develop our argument in stages. To make the argument that finance should best be understood as a domain-relative practice, vulnerable to corruption alongside the whole set of activities that it comprises, we need to provide the type of narrative account that MacIntyre suggests (2007, 2016). We will therefore attempt to demonstrate, first, that finance does have internal goods but, as with such domain-relative practices as management and teaching, these always sit in relation to the achievement of the good of the multifaceted activities that it serves, and, second, that the corruption of financial practices is no more probative to their claim to be practices than others. Let us begin, then, at the beginning.

### *2.3 Why Finance Was Born? The Original Meaning of Financial Activity*

It is interesting to explore the way in which finance is generally presented in textbooks (what we can refer to as “academic finance”). First of all, it is described not as “finance” in general, but through expressions including “financial system,” “financial sector,” or “financial markets,” hinting that finance is defined by means of its functions rather than by its purpose. For example, Samuelson and Nordhaus define the functions fulfilled by the financial system, stating that it: “Transfers resources across time, sectors, and regions [...]; manages risks for the economy [...]; pools and subdivides funds depending upon the need of the individual saver or investor [...]; performs an important clearinghouse function, which facilitates transactions between payers (purchasers) and payees (sellers)” (Samuelson and Nordhaus 2010: 455). Similarly, Greenwood and Scharfstein hold that “the key functions of a financial system are to facilitate household and corporate savings, to allocate those funds to their most productive use, to manage and distribute risk, and to facilitate payments” (Greenwood and Scharfstein 2012: 104). Stiglitz explains that “capital markets perform several critical roles: they aggregate savings and they allocate funds. [...] At the same time they provide these

services, they reduce the risks facing savers by allowing for diversification” (Stiglitz 1989: 56).

In order to explore the potential for finance to be understood as a domain-relative practice, we must identify those goods that finance alone *could* generate, independently of the particular techniques, social forms, regulatory regimes, and institutional conventions that have provided it with a diversity of institutional settings and social possibilities. Originally, financial activities developed as a way of providing solutions for some practical, spatial, and temporal issues which hindered the realization of long-term or interregional projects: “Two factors have led to the rise of finance historically: long-distance trade and long-lived productive assets. Markets for goods and services and markets for assets both require some form of finance to bridge the time between when agreement on a trade is reached and when actual delivery occurs or when the structure is completed” (Neal 2015: 15).

The original purpose of financial activity was “to bridge time and space,” in order to guarantee trading agreements and realize assets or projects which (in terms of realization and/or effects) went beyond the life of a single individual or generation, or which moved in an interregional context. This is an original and necessary feature of finance. In the word “finance” itself, the idea of “end” is present, coming from the Latin word “*finis*,” which means “conclusion” or “end,” and it was originally used to express the happy conclusion of controversial issues, as well as the conclusion of contracts (for the etymological root, see Pianigiani (1907); on the origin of the term “finance,” see also Shiller (2012) and Rossi (2013)).

Finance can broadly be described as a bridge between people who have entrepreneurial projects (in the widest definition), but who lack resources, and those with resources who are available to offer them on a variety of terms and in light of a variety of purposes. Its instruments (from coinage, to insurance, to derivatives) developed in order to make such

projects possible and peaceable, whether intergenerational and long-term, or interspatial and short-term. Finance as a human activity, or as a *set* of human activities—coherent, complex, and socially established—could also be defined as cooperative as long as the involved parties are directed towards the achievement of common goods. Shiller seems to note precisely this directedness in the definition of finance that he offers: “At its broadest level, finance is the science of goal architecture—of the structuring of the economic arrangements necessary to achieve a set of goals and of the stewardship of the assets needed for that achievement” (Shiller 2012: 6).

Depicting finance through broad-brush strokes has a twofold purpose and a significant limitation, which this article attempts to overcome. Defining “finance” as a set of activities (which are not initially specified) on the one hand places it in line with MacIntyre’s rather general description of this activity, but, on the other hand, identifies the common purpose of those activities and aligns them with the dominant conception of finance as comprising a set of related practices (Shiller 2012).

The main limitation of this approach is the fact that it is exactly because finance expresses a complexity and a variety of activities that we need to distinguish how different practitioners achieve the standards of excellence typical of a specific activity and at the same time become excellent human beings. In order to address this, and given that the internal good of a practice can be understood only through the eyes of its practitioners, we will adopt the roles typical of the financial sector as described by the Nobel Laureate Robert Shiller (2012). But before we consider how financial agents can express the different financial activities at their best, we need to consider an important objection to the argument that any financial activities have the potential to become practices.

#### *2.4 Does Finance Produce Just “Private” Goods?*

In developing the argument for finance as a domain-relative practice, we face a substantial objection: that the goods generated by finance are inherently private, scarce, and hence the object of zero-sum competition. Existing arguments have failed to overcome this objection. For example, Wyma's (2015) failure to attend to MacIntyre's precise understanding of cooperation is fatal to his argument for investment advising being a practice. His characterization of the internal good of investment advice as "positive liberty" fails on two grounds. First, the type of freedom described is an individual good; second, it is a good whose achievement may be afforded by so many means (bank robbery, misappropriation of funds, winning the lottery) that it is a category error to claim that it might be internal to any practice. By contrast, MacIntyre distinguishes sharply between individual, public, and common goods, and only those cooperative activities directed towards the last fall within his definition of a practice.

According to MacIntyre, individual goods, such as those pursued by investment clubs, may necessitate cooperative means, but ongoing participation is rational: "Only so long as and insofar as it provides a more efficient method of achieving their individual ends than would alternative types of activity open to them" (MacIntyre 1998: 240). Participants in cooperative activities directed to such ends neither require nor expect that other participants will exercise the virtues. Common goods "are only to be enjoyed and achieved [...] by individuals qua members of various groups or qua participants in various activities" (MacIntyre 2016: 168–69). It is this sense of cooperation that MacIntyre has in mind when he defines practices. Such common goods require "a kind of community in which each individual's achievement of her or his own good is inseparable both from achieving the shared goods of practices and from achieving the common good of the community as a whole" (MacIntyre 1998: 240–41).

It is only in the context of this type of community that cooperative activity is undertaken in pursuit of common goods and hence meets this condition. It is particularly noteworthy, then, that MacIntyre's recent work (2016) provides evidence of the necessity of sound financial management to the achievement of such goods in such contexts. This work furnishes examples of both practice-embodied institutions (Beadle 2013), such as Cummins Engines (MacIntyre 2016: 172), and of practice-based fishing communities (MacIntyre 2016: 178–80) and *favelas* (MacIntyre 2016: 181). In the first example, a company devoted to realizing the goods internal to engineering was able to operate without making a profit for its first eighteen years having been: “financed by a local banker, W.G. Irwin, who shared [the owner's] enthusiasm for diesel engines as the key to the future of American trucking and who now invested in the company” (MacIntyre 2016: 172). In the second example, “substantial loans from two local banks” (MacIntyre 2016: 180) were required to establish a fishing cooperative.

The dependence of the achievement of common goods on the provision of patient capital is evident in both examples. Further examples of the necessity of finance in the types of practice-based community endorsed by MacIntyre are not difficult to find. They include those provided by Scottish bankers committed to community-based banking (Robson 2015; 2014) and the establishment of the MONDRAGON cooperative bank, the Caja, by Father Arizmendiarieta in 1959: “The slogan used by the Caja in the early stages of its development was ‘savings or suitcases,’ indicating that local savings were necessary in order for there to be local jobs” (Mathews 1999: 206). Unlike the investment club members' pursuit of individual goods, these are examples of financial practices in which individual goods were subordinated to common goods. To varying degrees and in different institutional, political, and social contexts, they illustrate the necessity of a financial sector that—as a whole—uniquely enable savers, investors, enterprises, and communities to pursue common goods.

In light of the previous characterization of the original meaning of finance as a “bridge” for the realization of intergenerational projects, and in light of the potential realization of common goods through financial activity, we have a basis for the definition of the internal goods of finance as those enabling the realization of projects contributing to the creation of common goods through channeling savings into investments; in the process, practitioners enhance the tradition of finance and grow in the virtues. This characterization of the internal good of finance needs to be paired with the excellence developed by different agents working in particular financial roles, whose standards of excellence need to be identified.

### 3. FINANCE AS A DOMAIN-RELATIVE PRACTICE

Up to this point, we have discussed whether finance could be considered eligible to be a practice as MacIntyre understands it. To do justice to the complexity of financial activity and also to the specificity of its nature, we need to consider whether finance is a practice or a “domain-relative practice” (Beabout 2012) such as management and teaching. On the one hand, as already shown, finance was born with a function of supporting the development of other activities aimed at the realization of projects. On the other hand, the growing complexity both of the activity itself and of its mode of institutionalization led to the establishment of finance as an autonomous and powerful sector.

Beabout’s definition holds that domain-relative practices are coherent, complex, cooperative, and socially established human activities that: “1) possess internal standards of excellence identifiable to practitioners, and 2) are always related to another particular domain” (Beabout 2012: 414). The next two subsections will address these two points in turn, in order to show whether finance can be considered a domain-relative practice.

#### *3.1 Characterizing “Standards of Excellence Identifiable to Practitioners”*

Finance involves an evolving range of activities, roles, and relationships as diverse as risk management, bond trading, and investment advising, which share the generation of those goods that are internal to finance. While these activities share the fact of being part of the financial sector, each of them is characterized by specific standards of excellence, whose achievement allows different practitioners to *perfect* the practice while *practicing* finance.

In order to be coherent with MacIntyre's first-person (Abbà 1996) or agent-centered (Annas 1995) perspective, the reality of finance, and Beabout's way of framing the identification of standards of excellence as "identifiable to practitioners" (Beabout 2012: 414), this article supports the characterization of the standards of excellence of finance according to the different roles that an agent can assume in the context of finance. An authoritative voice in the realm of finance is Robert Shiller, who presents a list of roles which cover a broad spectrum of activity in this context. Shiller's depiction of finance through the eyes of practitioners aligns with Beabout's identification of the standards of excellence through the eyes of those working in finance: "There is an unfortunate tendency to talk about the financial system in the abstract, as if it is all about stocks and bonds, or about mathematical equations. But the drivers of financial capitalism are real men and women, who adopt certain personae in our society and make the goals inherent in these roles their own personal responsibilities" (Shiller 2012: 14).

Among the central roles that can be played in finance, Shiller lists: investment managers, bankers, investment bankers, mortgage lenders and securitizers, traders and market makers, insurers, derivative providers, and financial advisors (2012). In order to support the thesis of this article, which is to show how finance can be considered a domain-relative practice according to the characterization provided by Beabout (2012), this section now considers—by means of illustrative examples—the standards of excellence specific to some of these roles. It is outside the purpose of the article to review in detail all the standards of excellence

of each profession within the domain of finance. However, we have selected the most significant: namely investment managers, commercial bankers, investment bankers, and financial traders. A brief and plain-language description of these roles (based on Shiller 2012) precedes the characterization of their standards of excellence:

- *Investment managers* manage investment portfolios of shares, bonds, and other investments for their client. They can be distinguished by the kind of funds they manage, but for the purpose of the characterization of their standards of excellence is important to remark the common denominator of their role: managing their clients' investment portfolios, taking into account both the situation of the market and their clients' preferences.
- *Commercial bankers* provide a safe place to safeguard people's money with different expected returns. They facilitate transaction services and contribute to the money supply facilitating commerce and investments.
- *Investment bankers* help companies in issuing shares that need to be sold to investors. The ultimate goal of investment bankers is to help companies raise capital. They are also in charge of delicate stages of companies' lives such as initial public offerings, and mergers and acquisitions.
- *Financial traders* buy and sell stocks from their personal inventory, or help others to trade, with a twofold interest: to maintain an orderly market and to profit from price movements.

Table 1 pairs each of these four roles with their characteristic standards of excellence using Shiller (2012) and Rocchi (2019a), and drawing on information from professional bodies and financial institutions which set the standards for each of these professions. Widely recognized associations express a continuous effort to depict these roles at their best: the second row of the table reports the main (and not exclusive) examples where it is possible to

retrieve the standards of excellence of each role. Additionally, the Principles for Responsible Investment (PRI) provide guidelines to integrate environmental and social concerns into the everyday activity of those in charge of investments at different levels (Principles for Responsible Investment 2017). The United Nations supports the PRI; in particular, the principles are an initiative conducted in partnership with the UNEP Finance Initiative and the UN Global Compact. For the sake of setting standards of excellence of all the professions in finance (and in particular of the four mentioned above), we take these principles as minimum common standards, which can leverage all the standards of excellence across the financial sector.

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INSERT TABLE 1 ABOUT HERE

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The characterization of these standards of excellence provides evidence for holding finance to be a domain-relative practice, as it shows—by means of these four representative examples—how each role in finance, played at its best, develops the excellence of the activity and that of the practitioner. Moreover, the existence of these standards of excellence contrasts with the tendency highlighted by Shiller: “Among the general public, there is clearly a tendency to think of the financial professions as focused on conspiring against them instead of contributing as constructive organs of civil society” (Shiller 2012: ix).

The choice of embodying one of these roles as a practitioner—instead of a mere executor for the sake of receiving a salary, and eventually gaining power and reputation—is always a possibility for the acting person in a conducive institutional framework (Moore 2012) or even simply within a tolerable work environment (Rocchi and Thunder 2019). In other words, people always have the agency to resist corruption: this holds not only for finance but also for every profession which has at least the potentiality to be a practice or a domain-relative

practice. This last remark is necessary because when, for example, someone engages in human activities which are clearly worthy of outrage and disapproval—e.g. human trafficking—there is no chance for that human activity to redeem the agent except by stopping doing it, and in those cases the acting person has no possibility of being a practitioner in the MacIntyrean sense.

However, when we confront an activity which has the potential to contribute to the realization of common goods and the potential to be practiced in a virtuous way, the agency of the actor is always in play in directing choices towards the achievement of different goods. Practitioners of any practice may suffer from misdirected desires and use their skills for corrupt purposes, but this does not undermine the potential for complex, socially embedded activities to be undertaken *as* practices. Indeed, it is the standards of excellence required of practitioners that provide the measures by which such judgments are made. For example, investment managers can prioritize their own economic compensation over the client's interest; or they can downgrade from the standards of excellence by not being precise and detailed in the way they collect the relevant information. In the latter case, this is not just a lack of professionalism (which is a minimum requirement for those in the field), but is also a clear lack of virtuous habits (here, a lack of practical wisdom). Commercial bankers face the risk of being exclusively profit-oriented; of abusing their position of power when, for example, granting a loan; and of unwisely assuming too much risk at the expense of their clients. Investment bankers can fall from the status of practitioners when they are not able to resist external pressures that can, for instance, make them advise a company to issue new shares for political reasons rather than for the benefit of the company and society. They can also fail to be transparent in disclosing the risk for the investors, or they can fail to take into account all the relevant details for the evaluation of a company. Finally, financial traders face

the risk of being obsessed with profit, falling into illegal and immoral behaviors such as some versions of cornering the market, front running, and proprietary trading.

All these attitudes and behaviors show how the prevalence of the logic of external goods over internal goods undermines the pursuit of the good(s) internal to the practice.

Nevertheless, as we have argued, the fact that standards of excellence are not always met does not mean that they do not exist or that it is not possible to realize them.

### *3.2 Finance as “Always Related to Another Particular Domain”*

Beabout (2012) finds the concept of a domain-relative practice to be implicit in a conversation between MacIntyre and Dunne on teaching (Dunne 2002). In that dialog, MacIntyre does not define teaching as a practice itself, but as a “set of skills and habits put to the service of a variety of practices” (Dunne 2002: 5). In the following paragraphs we will echo his assessment of teaching in applying it to finance. Just as he affirms that “All teaching is for the sake of something else,” we will show that “All finance is for the sake of something else,” highlighting the character of mediation that is intrinsic to financial activity.

The crucial intuition to follow is that, even if a coherent and complex cooperative human activity acquires meaning only in relation to another human activity with such characteristics, it is essential that this “supportive” activity be performed in line with the excellences of its own standards, and while the agents involved have the opportunity of developing themselves as practitioners by being involved in this activity. The analysis conducted previously on the original meaning of finance supports this specific point: the historical excursus in light of Neal (2015) and the different definitions discussed were all meant to show how finance has a typical function of being a “bridge.” If there were no projects to realize, finance would lose its original purpose. This “bridging” dimension, which is innate to finance, always relates to another domain. So, having already identified its standards of excellence, and having

recognized that finance—in its purest form—is always at the service of another domain, it is possible to conclude that finance can be considered a domain-relative practice. It is essential, however, to keep in mind the risks of corruption, and so the next section looks at institutional and technological factors that increase those risks.

#### 4. IS IT POSSIBLE TO UNDERTAKE FINANCIAL ACTIVITY AS A DOMAIN-RELATIVE PRACTICE?

##### *4.1 The Institutionalization of Finance and the Challenge of Financialization*

An implication of our characterization of finance as a domain-relative practice is that, alongside other practices, it requires institutionalization and is thereby vulnerable to the corrupting effects of institutions, as all practices are. MacIntyre's criticisms of finance have been directed towards particular types of institutional role (e.g. financial traders, MacIntyre 2015), epistemological failures (e.g. the tale of Long Term Capital Management, MacIntyre 2009: 361–62), or misdirected desires toward money as an end in itself (MacIntyre 2016: 109). Although he does not identify finance as a practice, all three are consistent with his model of institutional corruption of practices (MacIntyre 2007: 194–95).

Of the role of money, MacIntyre affirms:

This would be all right if it was really possible for people to treat money in the way in which chess players play chess pieces: useful pieces of wood which they can use in their game in a particular way to achieve human excellence. But I've never come across any financial manager who was able to treat money in this way. Money is treated as having magnetism of its own, so that money becomes the kind of thing that is treated as though it could be a human end. (MacIntyre 1994b: 40)

When speaking about chrematistics, Aristotle (Aristotle 1984, *Politics*, 1257a–1258a) noted that, in an exchange, money (M) facilitates the passage from a commodity (C) to a

commodity (C'), generating the movement C–M–C', but finance (in its institutionally corrupted form) seems to be associated with unnatural chrematistics, where money is at the end of the cycle (M–C–M'). This is the mechanism that MacIntyre has in mind (MacIntyre 2016: 109). Unnatural chrematistics puts money at the end of the chain of exchanges, so declaring money to be the purpose of the exchange, instead of the means through which the exchange is made possible. On a larger scale, this inversion generates rent-seeking activities, which work toward a financial return without taking into account the benefit of society (Zingales 2015): in MacIntyrean terms, the M–C–M' mechanism subverts the proper virtuous order between external goods, which are by nature means, and internal goods, which are by nature ends (Sison, Ferrero, and Guitián 2019).

This is precisely the case with financialization. Thanks to technological (the ease in acquiring, processing, and storing information, which has lowered transaction costs for investing) and regulatory conditions, among other factors, finance has increased in importance, influence, activity, and profits relative to the other sectors of the economy (Epstein 2019; Krippner 2005, 2012; Palley 2007; Stockhammer 2004). In the phenomenon of financialization, there is an inversion of means and ends, since financial institutions seek profit growth above all, replacing the internal good of the practice—creating the bridge between savers and investors for the realization of projects contributing to common goods—and all the standards of excellence of the different roles described above with the pursuit of external goods (the means), consisting primarily of quick and enormous profits. In addition, these profits, instead of flowing out to serve the rest of the economy, are invested “in activities which consist of pure speculation or rent-seeking, resulting in harmful bubbles, spurious investments, speculative profits and massive job losses” (Sison and Ferrero 2019: 19). This degree of financialization promotes not savings but debt-spending; it does not direct funds to other, more productive uses, but only to its own speculative activities (Zingales

2015). Consequently, from a MacIntyrean perspective, a certain degree of financialization, in which the internal goods are overshadowed by external goods, causes a reversal of the proper means–ends order, corrupting the practice.

This prevalence of the logic of the institution is a common case in finance, most clearly revealed in the aftermath of the financial crisis. The documentary *Inside Job* (Ferguson 2010) narrates the systemic and systematic prevalence of the logic of money and power over any possible paradigm of virtues during the 2007–8 financial crisis (see, for example, Santoro and Strauss 2012; Koslowski 2011).

We do not want to deny the particular vulnerabilities that contemporary financial institutions and particular professionals have demonstrated to systematic epistemological failures (De Bruin 2015), institutional avarice (Parliamentary Commission on Banking Standards, United Kingdom 2013), or individual vice (Wildman 2014), but it follows from our arguments so far that none of this is inevitable. As Blakely (2017: 8) has recently argued, such generalizations sit oddly with the rejection of law-like generalization for which MacIntyre famously argued in Chapter 8 of *After Virtue* (MacIntyre 2007) and elsewhere (MacIntyre 1973).

MacIntyre’s argument that finance is irredeemable also sits oddly with the ongoing debates within financial communities as to the purposes they should serve and regarding what befell them in 2007–8, debates which MacIntyre holds to be characteristic of practices (MacIntyre 1978). Our purpose in arguing for finance as a domain-relative practice and characterizing its internal good(s) runs the risk of degeneration into a purely theoretical enquiry if we do not consider whether and under what circumstances it might be possible to pursue common goods through financial practices and, if not, then what sort of institutional order would enable this.

When we turn to finance, we find an extensive literature on both purposes and the means to their achievement that would be expected in the context of practices and measures such as the Dutch Bankers' Oath (Boatright 2013) to embed them. So Zingales contrasts rent-seeking with the proper purposes of finance in his intervention:

We cannot argue deductively that all finance is good. Yet, we do not want to fall in the opposite extreme that all finance is bad or useless. To separate the wheat from the chaff, we need to identify rent-seeking components of finance, i.e. those activities that while profitable from an individual point of view are not so from a societal point of view. (Zingales 2015: 13)

Mueller concurs: "Rent seeking in financial markets can lead to great private gains but have little impact on economic growth. Growth is actually harmed to the extent that talented risk takers are drawn into the financial sector to engage in rent transfers, rather than starting businesses and engaging in rent creation" (Mueller 2012: 7). Transformed into the idiom of MacIntyrean enquiry, both Zingales and Mueller can be seen as making the case for the pursuit of public, if not common, goods. Likewise, Shiller distinguishes between finance and financial capitalism: "The pursuit of power that so often seems to drive financial capitalism seems contrary to the concept, promoted in this book, that finance is all about the stewardship of society's assets" (Shiller 2012: 231).

If these arguments have merit, then the central question for practitioners is transformed into that faced by the Scottish bankers in Robson's (2015) study: whether it is possible to undertake financial activity as a domain-relative practice. The answer chosen by a number of Robson's participants was to work for smaller institutions, in which the relationship between practitioners and clients was restored to that of stewarding savings and promoting their responsible investment.

The decisions of Robson’s bankers involved the recognition of both the institutional logics (Greenwood et al. 2010) that militate against virtuous practice, such as quarterly reporting, and also individual incentives that encourage avarice in financial institutions operating in global markets (Moore 2012; Wyma 2015). In addition, they serve as examples of the restoration of agency by professionals who are able to exercise it by joining or founding financial institutions whose legal obligations, ownership structure, and culture may be conducive to virtuous practice. Opportunities for engaging in finance as practice vary between agents, and both national and sectoral regulations impact on agents’ options (see Rajan and Zingales 2003 on the difference between California and Bangladesh). However, examples extending from micro-finance (Pitt, Khandker, and Cartwright 2006), to credit unions (Cato, Myers, and Howlett 2013), and building societies (Casu and Gall 2016) offer the potential for financial institutions to contribute to the creation of common goods.

At policy level, reforms have included the Dodd–Frank Act (Merkley and Levin 2011; Wyma 2015), and proposals include the banker’s oath (Boatright 2013; Wildman 2014) and the Volcker Rule on the banning of proprietary trading, which places “bank capital at risk in the search of speculative profit rather than in response to customer needs” (Volcker 2010). The purpose of this article is not to interrogate alternative reform programs but rather to suggest that finance may, despite MacIntyre’s own objections, be undertaken as a domain-relative practice, “for the ultimate benefit of society” (CFA Institute 2014: vii). The liveliness of debates between financial professionals about purpose and institutional reform, the presence of institutions designed to militate against institutional corruption, and the choices that some financial professionals have made and continue to make in the service of common goods, provide strong grounds for this argument.

#### *4.2 Technological Challenges and Moral Agency*

The argument so far has sought to establish relevant goods and virtues that would characterize finance as a domain-relative practice. In the second section we distinguished and categorized real practices, potential practices, and human activities without the potential of being practices. To extend this argument, we now seek a degree of granularity to consider financial activity in light of the constant innovations resulting from new technology, above all the emergence of the so-called FinTech (Arjunwadkar 2018; Lynn et al. 2019), and specifically those financial activities that can be highly supported and even replaced by artificial intelligence-based systems.

Mancher et al. (2018) list a series of activities which are typical to finance and which will soon be performed by robots. They mention in particular all the activities which are specifically devoted to processing transactions, such as “budget distribution, obligation tracking, accruals, invoice processing, journal vouchers, reporting” (2018: 36), saying that these activities are “manual, repetitive and rules-based” (ibid). Whereas in the case of computers playing chess there is probably no interest in knowing that there is no human intervention, it is truly interesting to know that the bank where one deposits one’s salary could be managed by a robot CEO (Hawser 2018). Elements of financial services are already operating without direct human intervention: a basic example is provided by chatbots answering instead of real customer service agents, even as legal consultants (Croft 2018). Blockchain technology and its initial applications to the financial sector constitute another example (Iansiti and Lakhani 2017). The change in the governance of financial institutions, in light of these disruptive innovations, could discourage us in sustaining our argument of finance as a potential domain-relative practice: it seems that “humanless” technology will

take over soon, consequently changing the way in which financial institutions are governed (Paech 2017),<sup>2</sup> and the role of moral agency in the FinTech era (Rocchi 2019b).

There are similar arguments on the lack of moral agency in the particular context of financial innovation, e.g. in high frequency trading (HFT). However, HFT still requires more human intervention even after it is set up (Angel and McCabe 2013) than blockchain and smart contracts for finance. The role of HFT in market making can be seen as a contribution to the good of society if it serves the purpose of better resource allocation offering continuous market liquidity towards the goal of fair and ordered markets. HFT is a form of algorithmic trading, and the role of algorithms in financial decision-making is prominent in the debate about the status of moral agency in finance. While a wider discussion on the ethics of algorithms—which is almost established as a field in itself: see, for example, Mittelstadt et al. (2016)—is beyond the scope of this section, it is relevant to note the ever-growing role of financial trading automation through algorithms (Monaco 2019), and the new spaces for the understanding of human moral agency in setting and using these algorithms in finance (Rocchi 2019b). Aziz and Dowling, for example, highlight the role of human supervision and intervention at different stages of automated processes, and point out that, “when it comes to AI, where there is some or full automation of process from data gathering to decision-making, the need for human oversight will become even more pressing” (Aziz and Dowling 2019: 46).

Whatever the technological conditions are, it is important to remark that the self-determination of the agents plays an essential role in the actual development of the internal goods of financial activity: even in virtue-friendly technological and institutional conditions, financial agents can carry out the activity with no good purpose in their minds. This point is

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<sup>2</sup> This could eventually question Moore’s well-known argument among MacIntyrean scholars about the governance of virtues (Moore 2012). However, this is not the place to address this extremely interesting point.

particularly interesting with regard to finance: even if a financial institution works in a way that protects the practice of finance and realizes goods internal to the practice (i.e. forming a bridge between savers and investors for the realization of projects contributing to common goods), it can be possible that one of the “potential” practitioners acts in a way that distorts the goodness of the purpose, i.e., he or she acts exclusively for the sake of obtaining external goods, jeopardizing the internal good and the continuous improvement of the standards of excellence. This would be the case of a financial fraud performed by a single individual, who is deceiving both his or her company and society at large. Davis et al. (2016) reflect extensively on the original goodness of the purpose of finance and on the way in which it has been distorted over time, explicitly asking whether the finance industry has lost its purpose (Pitt-Watson 2016; Davis et al. 2016). Again, this individual attitude does not impede the categorization of finance as a potential practice.

Finally, it is also worth listing, for the sake of completeness, the existence in finance of human activities with no potential to be practices. These are activities that, taken in isolation, lack the necessary complexity to be eligible as practices. Just as MacIntyre argues for bricklaying and skillful passing at football, the same can be argued for a bank’s cash office function, or for the isolated act of registering transactions in accounting. Even if these activities cannot be considered practices in themselves, without them the practice in its entirety would lose its effectiveness. In an effective parallel, the practice of architecture would be a purely aesthetic exercise without people putting one brick on top of another to realize what the architect envisioned. In these cases, we are confronted with activities that, by themselves, as standalone activities, lack the necessary complexity to aspire to be practices. And this is confirmed by the fact that a robot can replace humans in performing these activities. What does it mean for humans who are currently performing these activities? Whatever activity they perform, humans always have the possibility of growing in virtue;

robots, in contrast, can improve their efficiency, and can even “learn,” but they cannot aspire to virtue and achieve human excellence.

## CONCLUSION

Despite MacIntyre’s pessimism about financial activity, we have argued that finance can be characterized as a domain-relative practice. Understanding the internal good of financial activity as the realization of projects contributing to the creation of common goods, through channeling savings into investments while perfecting the financial agent, allows us to distinguish between finance conducted with a view to its proper ends and finance conducted as a rent-seeking activity in a way that is analogous to MacIntyre’s (1994a) oft-cited contrast between types of fishing crew. For financial practitioners to realize the internal goods of their practice is also to be appropriately directed towards that end and thereby to discover a context for a life lived virtuously, and for the enhancement of moral tradition. The standards of excellence identifiable by different practitioners in the domain of finance have been described, together with the identification of the character of mediation that is intrinsic to finance.

Finance is perhaps particularly vulnerable to the corrupting power of institutions and to the misdirection of desire. This no more comprises an argument against finance providing the context in which a virtuous life can be lived than MacIntyre’s own examples of vicious fishing crews or candy-chewing chess players undermine the claim that fishing and chess are practices. Moreover, through looking into current financial activity with a certain degree of granularity, we have opened the way to reflecting in the MacIntyrean perspective on the disruptive wave of innovation that is rapidly changing some financial activities at different levels—from the more basic registrations to governance-level roles.

Future research should compare the orientation, performance, and narrative histories of financial practitioners and institutions to enhance our understanding of the distinction between financial professionals, institutions, and modes of institutionalization which encourage the generation of common goods and those that undermine them. All this should be conducted in light of the developing FinTech and its relationship with human moral agency.

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**Table 1: Standards of Excellence for Four Roles in Finance and Illustrative Examples**

	Role			
	Investment Managers	Commercial Bankers	Investment Bankers	Financial Traders
<b>Standards of Excellence</b>	<ul style="list-style-type: none"> <li>- Be able to manage adequately their clients’ long- and short-term goals, their necessity of liquidity, and their preferences in investing (e.g. green or social impact investments).</li> <li>- Allocate money to the <i>best</i> investment possible for both the client and society.</li> <li>- Analyse in detail the financial situation of the funds where they decide to invest their clients’ money and the profitability of the available financial products.</li> </ul>	<ul style="list-style-type: none"> <li>- Encourage and facilitate investments that are good both financially and socially.</li> <li>- Grant loans and liquidity for good projects.</li> <li>- Guarantee the financial health of the investments, equilibrating risk and profits according to the client profile.</li> </ul>	<ul style="list-style-type: none"> <li>- Carefully study the financial situation of the company they are helping, and offer a clear statement to interested investors.</li> <li>- Rightly assess the value of the company and how it can be translated into shares.</li> <li>- Disclose the risk involved in projects that the company is undertaking, so that both the company itself and also the investors are aware of the risk.</li> </ul>	<ul style="list-style-type: none"> <li>- Balance adequately profit and risk, resisting the pressure of the short term.</li> <li>- Be aware of the activity of the companies or funds for which they are trading stocks.</li> <li>- Be professional in their valuations of companies, providing valuable feedback information to society.</li> </ul>
<b>Examples<sup>3</sup></b>	<p>The Chartered Financial Analysts (CFA) Institute’s <i>Code of Ethics and Standards of Professional Conduct</i> (CFA Institute 2014) applies to investment managers. The mission of the CFA Institute is “to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society” (2014: 7). They have a detailed set of standards of excellence, which are meant to illustrate how to conduct this profession at its best (see CFA 2014).</p>	<p>Two relevant examples for standards of excellence for commercial bankers come from Australia and the Netherlands. The Australian Banking Association’s Banking Code of Practice (2020) “provides safeguards and protections not set out in the law. It complements the law and, in some areas, sets higher standards than the law” (p. 4). In the Netherlands, thanks to the introduction of the Dutch Bankers’ Oath, each banker needs to promise to uphold to stated professional standards, and “act openly and accountably, knowing my responsibility to society” (Foundation for Banking Ethics Enforcement).<sup>4</sup></p>	<p>The Banking and Finance Oath is an industry-led initiative, driven by the Banking and Finance Ethics Panel, in which major investment banks are represented through their leaders. Among the promises of the oath-takers, there is their willingness to contribute to a sustainable future and to a just society (Banking and Finance Oath 2016, p. 20). Moreover, codes of conduct of specific investment banks are particularly informative examples of how standards of excellence are set and understood by particular institutions (e.g. Deutsche Bank Group 2018; JPMorgan Chase &amp; Co. 2019; Morgan Stanley 2019).</p>	<p>For financial traders, the main reference point is again the CFA Institute’s <i>Code of Ethics and Standards of Professional Conduct</i>, which also applies to “trading securities for yourself and/or others” (as stated in CFA Institute 2017b: 10). In addition, the CFA Institute provides an Asset Manager Code, which has five specific points related to trading (CFA Institute 2017a: 2). Point 3, for example, explicitly mentions the use of commissions and that they shall not be used in the management of the firm. This point helps growth in the virtues of justice and honesty.</p>

<sup>3</sup> The examples listed in this row are taken from widely recognized institutions. However, these are not the only existing examples of institutions suggesting standards of practice, as particular bodies also set and publish their own standards of excellence, in observance of those in use in their sector.

<sup>4</sup> The English translation of the Bankers’ Oath is available at <https://www.tuchtrechtbanken.nl/en/the-bankers-oath>

## **Authors' Biographical Notes**

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IGNACIO FERRERO is Professor of Business Ethics and the Dean of the School of Economics and Business at the University of Navarra. He has been Visiting Scholar at Bentley University; at Harvard University; and at Notre Dame University. He has published several books on Business Ethics and articles in academic journals as *Business Ethics Quarterly*; *Journal of Business Ethics*; *Business Ethics: A European Review*; *Business and Society Review*. He is currently working on virtue ethics in finance, and on motivations at the workplace. He is co-founder of the *Virtue Ethics in Business* research group, with a worldwide network of collaborators. He holds BS in Philosophy and in Economics, and a PhD in Economics (University of Navarra).

RON BEADLE is Professor of Organization and Business Ethics at Northumbria University, UK. His research aims to defend, extend and apply MacIntyre’s notions of goods, virtues, practices and institutions in the context of work organizations. Previous research has been published in *Business Ethics Quarterly*, *Organisation Studies*, *The American Catholic Philosophical Quarterly*, *Journal of Business Ethics* and elsewhere. He is currently editor the forthcoming volume “Learning from MacIntyre” with Professor Geoff Moore.