Ethics and the Global Financial Crisis

Why Incompetence is Worse than Greed

BOUDEWIJN DE BRUIN
University of Groningen
Contents

Foreword by R. Edward Freeman

Acknowledgements

Introduction
Trust and trustworthiness
Moral decision making and moral intensity
Motivation or competence?
Epistemic virtues
Warning and outline

1 Financial ethics: virtues in the market
Friedman's argument
Corporate responsibility
Shareholders
Job requirements
A theory of the firm
Hierarchy of command
Corporate law
A company's goals
The economics of banking
An argument for liberty
Politics
Arguments
Epistemic preconditions for liberty
Responsibility
Criticism
Summary

2 Epistemic ethics: virtues of the mind
Instrumental epistemic value
Intellectualism and psychology
Intrinsic or instrumental value?
Motivation and enablement
Courage
Generosity

vii
## Contents

- Back to the puzzle 114
- Matching virtues to functions 116
  - Board roles 117
  - Virtues of overconfidence 118
- Organizational support for virtue 122
  - Structure 124
  - Culture 126
  - Sanctions 127
- Organizational remedies against vice 129
  - Macro-level remedies 130
  - Micro-level remedies 132
- Summary 137

### 6 Case study II: nerds and quants 140
- Split strikes and Ponzi schemes 141
- Uncovering the fraud 143
- Volatility and diversification 144
- Epistemic virtue 147

### 7 Communicating virtues: the raters 152
- Other-regarding epistemic virtues 155
  - Generosity 159
    - First difference from non-epistemic virtue 159
    - Second difference from non-epistemic virtue 160
  - Credit ratings 164
    - Credit risk: asserting creditworthiness 165
    - Monitoring: directing management 166
    - Stamps of approval: directing investors 166
- Compromising epistemic virtue 169
  - Love 172
  - Justice 174
  - Temperance 175
  - Courage 176
  - Generosity 176
  - Testimony 178
- Outsourcing epistemic responsibility 181
- Summary 182

### 8 Case study III: scores and accounts 184
- Professional accountants 185
- Joint epistemic agents 188
- Codes of conduct 190
<table>
<thead>
<tr>
<th>Contents</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expectation gap</td>
<td>193</td>
</tr>
<tr>
<td>Accounting options</td>
<td>194</td>
</tr>
<tr>
<td>Conclusion</td>
<td>198</td>
</tr>
<tr>
<td>Glossary</td>
<td>202</td>
</tr>
<tr>
<td>References</td>
<td>205</td>
</tr>
<tr>
<td>Index</td>
<td>222</td>
</tr>
</tbody>
</table>