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Mentality beyond good and evil

– the amorality of the financial market

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Financial Mentality beyond Good and Evil

Abstract

Particular working conditions and social forces generate the mentality of the financial market of Stockholm. In this article we use mentality as a condition for morality. Abstract greed and the concept of the invisible hand have vital roles in the financial amorality. Digitisation promotes estrangement and irresponsibility, and an amoral mentality which disembeds financial institutions from society. The superman of Nietzsche and the present financial market perceives activities of certain chosen people as being located beyond good and evil. Brokers and traders are often educated in neo-classical economics, which incites them to neglect dimensions of morality that transcend explicit rules.

Descriptors: abstract greed; amorality; financial market; the invisible hand; responsibility

Introduction

This study is carried out against the background of corporate scandals in 2002 and 2003. Financial analysts and investment bankers are discredited by their role in swindles in companies like Enron, Tyco and WorldCom. Financial institutions are much criticised for being greedy and immoral. In Sweden, media and the general public have expressed disapproval with onerous bonus benefits within investment banks such as SEB and Carnegie, as well as fraud in the insurance company Skandia. Financial analysts who had given misleading advice and leaked information to their preferred customers, i.e. large investors were also heavily criticised. Public demands for ethics in business are growing. In 2004, the Swedish Commission of Inquiry of Business Confidence affirmed that the financial sector suffers from a deteriorating public confidence. At present, the Swedish general public has less confidence in money managers and brokers than in people from virtually any other profession (Näringslivet 2004: 15, 125, 134). Many people regard finance as immoral and desire that it take other considerations than merely the interest of stockholders. The mistrust is highly alerting, since the financial market is in exceptional need for *good* trust, while business at large relies on capital markets for their financing, and financial institutions handle large amounts of public savings. The Securities Business Act of Sweden (Lag 1991:981 om värdepappersrörelse) conveys this need for trust in finance. Already in the introduction, the legislator has declared: ”Securities business is to be conducted in a way that maintains public trust in securities markets /…/”. In other branches of business, the applicable legislation does not refer to trust. This credibility gap suffered by the Swedish financial market makes it interesting to study the actual morality in finance.

Why do frauds and scandals occur in finance? Donaldson and Fafaliou (2003) suggest that some underlying values cause frauds in the financial services industry. Abolafia (1996) concludes that practices in bond trading gradually degenerated up to a point where fraud became imminent in the 1980s, and blames inherited practices, not exceptional events for causing the scandals.

Within the field of business ethics, research on financial markets has been occupied with concrete cases and applied normative ethics on these. This research is concerned with searching ethical principles or codes in order to apply them on particular behaviour in financial markets such as insider trading. Yet little effort has been made to obtain a full picture of the moral character of the agents in financial markets. Research in business ethics is often normative, whereas this article attempts to contribute to descriptive morality by means of a cultural approach focusing on mentality. Descriptive morality is an account of the moral beliefs that people actually hold. Critical morality, i.e. studying whether practices in the financial market are in line with a general morality or set of principles or not, is also part of our approach.

We aim to find out if there is a particular mentality in the Swedish financial market, and - in that case - if some values are particularly alarming with regards to the confidence deficit. The article is empirical in so far as being based on interviews, but also gives a theoretical contribution by proposing the concept mentality to studies of descriptive morality. With few exceptions, such as Bohler (2004), mentalities have yet not been of great interest to research about financial markets or other industries. Can we comprehend the morality of the financial market by basing our argument on a study of the mentality of the business? By searching coherence between mentality and the morality of brokers and traders, we will investigate if the concept mentality lends itself to studying a collective morality.

Networks and markets, not organisations are emerging as the building blocks of post-industrial society (Castells 1996: 168, 198, 468-472; Bergquist 1993: xiii;). While mentality holds a network together (Norberg 2002), knowledge about mentalities is becoming increasingly vital for comprehending business activities. Mentalities are historically formed beliefs and attitudes permeating a group of individuals. Mentalities are reproduced unintentionally (Le Goff 1974: 81-2; Mandrou 1984: 367) and form specific socio-cultural developments. A mentality is usually defined by a local, regional or national extension. Also here we study values and beliefs of people located within a geographical area. We, however, define the present mentality by its place in a business sector. The Swedish financial market is located in a few blocks radius around the square Stureplan in Stockholm. A stock broker says that: "The financial area of Stockholm is small. Everyone knows each other." While high-finance in Stockholm has a very distinct geographical setting, it seems to be well suited for being studied with the help of the concept mentality.

Our objective is the mentality of a business sector. To this aim I take an interest in the interplay between activities within the business, and values and beliefs of the agents. A particular industry tends to attract people of a certain character. Furthermore, the occupation itself assimilates the employees to the mentality. The theory of Macintyre (1981) of the resonance for particular virtues given certain work conditions is used to determine which virtues that are possible within financial institutions.

This article addresses the question of the morality of a profession. We wish not to investigate the morality of any particular agent, but the morality of the Swedish financial market in its entirety. Our topic is the financial market in Stockholm, but these results are likely to be relevant also to other financial markets. One objective is to demonstrate that the values which are permeating the financial market are logical, if we consider the digitalisation and the anonymity in the global marketplace that might crowd out virtues (MacIntyre 1981).

Similar to postmodern society at large, business fragments into separate subcultures. Two examples are the huge number of companies striving to establish their distinct corporate cultures, and the proliferation of ethnic enterprises where individual companies harbour a homogeneous culture and set of values, and employees enjoy mutual trust (Light and Gold 2000). In global markets, trans-national companies encounter different local cultures. The increasing amount of companies and professional associations that formulate codes of ethics, contribute to crystallise distinct mentalities within occupations. These circumstances make studies of corporate values, and the values of individual employees important.

Our aim is not to judge particular undertakings as moral or immoral, but study a mentality which I would like to call amoral. De George (1982: 3-7, 10, 290-291) defines an amoral attitude as making decisions without paying respect to ethical arguments. An amoralist is a highly particular individual, an ideal type that has no physical existence. Amorality on its side is a mentality, characterizing a group of individuals. The subject of this article is a collective mentality, not amoral individuals. Moral aspirations set limits to immorality, whereas an amoral state of mind removes such restrictions. Amorality is a playing-field for egoism and immoral behaviour, but is in itself not identical to immorality.

In the late 1990s, a survey (Folcker 1998: 4) showed that the Swedish population trusted their stock exchange more than they trusted their politicians or their Parliament. This benevolence towards the stock market was historically exceptional, and the result of a stock market boom encouraging the population to invest in the stock market, primarily through mutual funds and pension's savings. The succeeding loss of confidence is an important concern for society.

Brokers and traders do business with a rationality that is instrumentally orientated, and disregard what means are acceptable for attaining their objectives. The end would justify the means. Does business need a value-based rationality (Weber [1920] 1922: 12-3; 44-5) and a moral sphere?

In order to examine the personal moral reflection, beliefs and attitudes of brokers and traders, I have made twenty-one interviews with employees in Swedish brokerage firms, merchant banks and mutual funds [see Appendix 1]. The respondents range from brokers, traders and market makers to CEO's and asset managers. Secondly, I have formerly taken part personally in the market for equities and equity derivatives, those same markets that form the topic of this article, in my capacity as managing director and majority stockholder of an investment company. During the period of research I have furthermore been living next door to the financial centre of Sweden, Stureplan. This has given me ample opportunities to study how informal aspects of the culture of high-finance are manifested in the street, bars and restaurants. Discourse analysis has served as a fourth empirical effort. Responses in interviews that I have undertaken and oral and written statements from companies are part of the discourse prevailing in the Swedish financial market. Moreover, teaching financial ethics at Stockholm School of Economics, the leading Swedish school for supplying employees to the Swedish financial sector, has given me opportunities to enquire prospective brokers about their values and morality. This contact with practitioners in financial institutions as well as future practitioners has been valuable. The combination of different forms of observations is liable to present a rich image of the market.

People have different values as employees than as private investors and as family members. An individual is a bundle of values, each piece of which is influenced by the different arenas in which people act. The way each respondent appears in the interviews will here be taken as a particular work personality. In this article I have posed questions that pointed towards values that are active in work. Brokers and traders are exceptionally engaged with their work, and therefore highly influenced by norms dominating the financial arena. I had no wish to liberate brokers and traders from their trade and workplace to new persons, and accordingly interviewed the employees on their respective workplaces. We base this starting point of ours on the pronouncement of Heidegger ([1927] 1977) that we are thrown (*Geworfen*) into a context from which we cannot release ourselves, is fundamental to our existence. Individuals tend to believe that their choices are highly deliberate and personal. They thus express the need of modern man to feel individual. In reality, people are inclined to follow expectations on them in their professions, and play the roles they are allotted (Goffman [1959] 1971).

Within the Swedish financial market certain rules for expressions (Foucault [1976] 1978: 51, 123; [1974] 1975: 201) are established. Brokers follow a given script, and mechanically pronounce their discourse. We will study how finance provides a narrative of itself, and in confrontation with an audience of stakeholders, or with me as researcher.

During industrial modernity, work has evolved in the direction of specialisation and functional separation. MacIntyre (1981, : 204.) claims that: ”Modernity partitions each human life into a variety of segments, each with its own norms and modes of behavior.” The financial market is one such segment with its distinct norms, and what I call a mentality. In the bureaucratic individualism (MacIntyre 1981: 225) of industrialism, agents perform the functions of a number of roles, but do not identify themselves with either of the roles. Such a disunified life would not include acts of virtue, but result in alienation and isolation (MacIntyre 1981 57-61, 187, 202-5, 233). The script theoretic framework of Gioia (1992) is here applied at an industry level of analysis.

Advanced technology and extraordinary amounts of financial capital in work, and employees with an elitist social background and education based on neo-classical economics constitute the mentality of the financial market. We will analyse the amoral attitude and superman morality of brokers as aspects of the mentality.

Abstract greed

A student in financial economics wrote: “to undergo four years of education at Stockholm School of Economics in order to drudge a hundred hours a week. Money, power and status is what drives most of us, not any interest for finance.” Many employees claim that they are working in the financial sector because of the high level of compensation. ”Many people /.../ choose this profession in order to get hold on high revenues.” said the former managing director of a Swedish merchant bank Carnegie when he commented on insider trading (Eriksson 1999). Money is the foremost tool, and simultaneously the product of work in finance. Money disassociates economic exchange from personal relations with the exchange partner (Luhmann 1988: 16, 160, 195) and silences moral discernment in the name of efficiency. Employees in the financial market paradoxically enough regard money as an end in itself. According to one broker, his daily labour: ”/…/is only about making the wealthy more wealthy.”

Pecuniary gain is an objective fact that is independent of the judgements of colleagues and people outside the financial market. It is a most accurate expression of relative success in an environment that is strongly oriented towards competition.

When managing sums of financial capital huge enough to lose any reasonable meaning to an individual, searching personal profit is made easy. I interviewed one managing director of a brokerage firm who had observed that: ”In financial markets, more than in other sectors there are greedy people, who are not able to enjoy their present life.” Greed seems to be more common among brokers and traders than among other people.

Greed in financial markets is of a particular, abstract, type. In the words of Solomon (1993: 35-36) about greedy attitudes that he observed: ”It is /... /not even the money but the sheer numbers themselves - that counted /.../ this greed without desire /.../” Being greedy in an abstract way means a desire to acquire money as a value in itself, rather than wanting real objects or possessions. This greed is linked to the fact that brokers and traders are occupied with abstract securities, and huge sums of financial capital in transactions as well as in revenues. Abstract greed is a preference for gaining power or degrees of freedom (Simmel [1900] 1907: 51-52). Physical objects have a finite character with regard both to their physical extension and to their exchange value, whereas money asymptotically approaches infinity. Money provides potential and freedom and goes beyond the singular and personal pleasures (Simmel [1900] 1907: 216-219, 246, 329). The marginal utility of money decreases more gradually than the marginal utility of basic goods does. Physical objects have a finite character with regard both to their physical extension and to their exchange value, whereas money asymptotically approaches infinity. With the astounding level of revenues in the financial market, employees satisfy their desires for consumption already quite early in their careers, giving place to abstract greed. To accumulate capital becomes viewed as good in itself, instead of a means to purchase goods.

Screening reality – monitoring at a distance

In post-industrial working life, the use of non-human, scientific objects such as telephones and computers to some degree replace genuinely personal relations (Turkle 1995; Baudrillard [1981] 1985).

Bauman (1989: 97, 155) argues that technology dissociates the decision-making process from the final consequence of decisions. This anonymity promotes estrangement and irresponsibility. Anonymity shields individuals from ethical concerns. The anonymity in computer mediated interaction makes people act in ways which they had been less inclined to if their identities were known (De George 2002: 268; Kracher and Corritore 2004: 82).

Computers create a personal distance which inhibits the sense of doing wrong. The threshold of normally restrained, antisocial behaviour becomes lower. Computer-mediated communication facilitates behaviour that we would have moral doubts about in real life (Coleman et al 1999: 61-64). Computer technology and global markets reduce the human ability to identify those people who are affected by the actions. People more frequently engage in antisocial and unethical behaviour if they cannot identify stakeholders. (Baumann 1989; Introna 2002). Information technology can erode social norms (Loeh and Conger 1996: 76).

Today stock trading is one of the most developed fields in electronic commerce, with transactions being dominated by screen trading. Digital transmission of information and transactions in a financial hyper-reality being digitally screened from the outside world gives little room for personal relations (Giddens 1990: 21-29, 119-121; Bauman 1989: 190-193). Buyers and sellers of securities are not known to each other. Transactions of millions or billions of dollars are never touched. The clinical rationalism of computer algorithms replaces individual irrationality.

The gaze of brokers and traders is focused on the computer screen, de-coupling from the world behind the signals. Traders do not converse face to face but with a faceless_market, (Knorr Cetina and Brügger 2002). Men of finance enjoy a delimited picture of society, anaemic symbols that only subtly provide meaning.

Transmission on various computer screens replaces sensual access to the outside world. Brokers occupied with a financial game which simulates real business rarely encounter actual companies. While dealing with securities, brokers and dealers are making business at a distance, barely concerned with the concretion of industrial reality.

The particular type of interaction that takes place in front of the financial computer screen is a daily practice in anonymity. Two currency traders (Brügger and Cetina 2000) in Zurich described the market as: '*99.99999% anonymous*'. The obsession with the Reuter screen makes reality appear as a fiction, isolating the traders to the virtual world. To handle abstract symbols implies an escape from the real economy.

Knorr Cetina and Brügger (2002: 909-910) describe how local details are transported globally from particular settings to the screens of brokers and traders. The global market appearing on the computer screen does not only represent markets that primarily exist elsewhere. The screen reality is actually the global market into which local details are transposed. Virtual flows in the financial world are modelled in tables, and only take place in figures on screens. The limit between fiction and hard economic facts is made invisible in a hyper-reality (Kumar 1997: 99).

Putnam (2000: 308-309) raises attention to studies that indicate that criminality within an area correlates to the depth of social contacts. A low degree of interaction seems to promote criminality. We feel less responsible to people whom we do not meet, while being distant in a geographical or technological sense (Bauman 1989: 190-193). In trading rooms actors are often both geographically and technologically distant from other counterparts. Working with signals that are emitted from a distance means being somewhere else mentally than physically.

The technological distance vis-à-vis the concrete reality make brokers unfit to perceive their role in society. The work content and the office culture give employees insufficient incentives to behave morally, enabling only a virtual responsibility.

Globalisation and technology open a gap between actions and consequences, and make it difficulty to identify responsible actors (Parfit 1984: 80). According to chaos theory, wing-strokes on one continent affect weather on other continents. The same could be said about aspects of social phenomena such as the global financial market.

Whether a transaction is executed by means of physical encounter, telephone, e-mail or via broadband influences the way business partners perceive each other. As the personal element in transactions is limited, the actors are gradually transformed from individuals to abstractions towards each other. Counterparts in transactions who do not meet each other build little trust as they remain strangers to each other. Simmel ([1908] 1971) describes how people tend not to regard the stranger as a person with individual characteristics. The stranger is seen as someone who will soon leave again and who does not feel responsible to us (Bauman 1994; Bennett 2004). Actors feel no moral obligations towards such a counterpart.

Distance between the Reuter screen and the shop floor gives rise to mutual estrangement and distrust. According to a hedge fund manager: " I trust no one in this business as so much money is involved. /.../ I was more gullible when I joined the business." Brokers and traders regard their actions as being situated beyond conceptions about good and evil, conceptions that social interaction entail, and instead enter an amoral hyper-reality (Abolafia 1996, Norberg 2001). In the words of an American bond trader: "I don't really feel like I can rely on anybody here. That's the way this business is. You've got to rely on yourself." (Abolafia 1998: 72) This mistrust makes agents believe that they *need* to act immorally in order to gain.

Morality unbuttoned - action at a distance

In 1993, Chilean-Danish artist Marco Evaristti exhibited fish swimming in a blender. Visitors at the exhibition were given the possibility to press the button to transform the fish into a running liquid. Evaristti did not personally kill any fish. He only initiated destruction. The modern world is crowded with nuclear arms in the hands of mighty politicians, and other situations where buttons cause harm at a distance if being pushed. Similar to the bomb aimer in an aircraft equipped with advanced technology (Virilio: 1984:7-40, 97-147), investors in front of trading screens attempt to negate the moral content of their representation of the stock market, and transform it into a pure, mathematical landscape. Although brokers are disconnected from reality, they are in a position to affect real persons. They do however take part in events the consequences of which are much more difficult to predict than when pushing launch buttons in a bomber. Brokers do not need to harm anyone physically in order to make their profit. To pursue personal gain is facilitated when pushing a button is all it takes.

Catching the glance of another person arouses a mutual sense of moral responsibility (Levinas 1961: 52-53). On the other hand, when broker and client do not encounter each other face to face, an opposite, amoral button ethics is born.

One of my respondents told me: "Stock trading is perhaps merely a game." A market maker I interviewed said: "On my spare time, when I don't play the market, I enjoy playing poker." Similar to people who are occupied with playing ordinary computer games, brokers spend little effort to consider if their tampering on the computer keyboard is likely to affect society. Feelings of responsibility are rare in games, as individual responsibility concerns the obligations we owe actual persons. Without the conscience that tends to accompany activities in life offline, a player of computer games is likely to exterminate the avatars in the game. When we are interacting only with digital projections of reality, we are unable to relate our activities to real life. Work becomes a computer game, and does no longer demand any empathy from the employee. This makes the agent morally numb, and likely to behave in asocial and irresponsible ways. The head of fixed income at a brokerage house said: "Lack of empathy makes it easier to carry out these tasks. In this business, there are many who are not empathic." A former stock broker filled in: "You are not supposed to have too much empathy in this job, it is only about money and selling and selling." (Lövfors 2001: 6)

Superman

Nietzsche's notion of the *Übermensch* ("superman" Nietzsche, [1883-85] 1930: 3-22, 50, 317-330; [1886] 1982: 277-278) is an individual who challenges conventional distinctions between morality and immorality. The self-sufficient superman in the works by Nietzsche autonomously establishes moral principles. For good and bad, brokers and traders similar to the Nietzscheian superman, beyond good and evil, possesses a Dionysian instinct to transgress the laws of ordinary man.

Brokers and traders are confident that they have reached a superior understanding. Somewhat like the superman that Nietzsche depicted, brokers and traders look down at ordinary man in the same way that the ordinary man is looking down at his ancestor, the ape.

Political correctness is not part of the discourse in the financial market. Like Nietzsche ([1882] 1982: 227-228) condemned Christianity for preaching a slave morality, brokers perceive political correctness as a weak morality. Brokers and traders express the vitality and the masculine contempt for weakness that Nietzsche ([1886] 1968) approved of and ascribed the superman. A superman broker in New York (Smith 1999: 42) represents a view that is common in financial institutions: "Most customers don't have the time, interest nor ability to become knowledgeable. The more they think they know, the less they actually know. Furthermore, it's less than useless to try to educate them. The job of the representative is to make them money, not to educate them. The more they know, or think they know, the more trouble they are." A cynical broker exclaimed: "Fuck the small guys!" These derogatory attitudes breed misbehaviour such as insider trading and front-running. The amoral mentality includes contempt towards uninformed and minor customers. There is also contempt towards those who carry out simpler services to less talented or experienced customers. The head of trading at a trading firm thus exclaimed:: "Banks and insurance companies rob people."

The working conditions in the financial market are in many ways extreme. An employee of a brokerage firm (Adamsson 1995) explained: "You tacitly agree to let the vast revenues compensate for being available 24 hours a day. Being called up in the middle of the night or having to return from your honeymoon is not at all unlikely.” Financial actors are supermen in comprehending their actions as situated beyond good and evil, and in not suffering from stress. One stock broker told me that: ”I have never heard any [colleague] say: It's just too much now. I feel stress.” Nietzsche himself would hardly have perceived stock brokers as supermen, as he despised business. The plutocratic will to power of the greedy broker can, however be described as a quality suitable to a post-modern superman.

Money is an abstract and flexible entity for construccting various artefacts, financial instruments among others. Financial capital is a formless means of production giving finance people freedom to act. The actor can use money at will, according to his own will to power. Somewhat like Machiavellian ([1513] 1991: 151-153, 165-169) leaders, brokers search for any possible means for attaining power. In order to master the market, traders are eager to obtain all information available, and similar to a Machiavellian leader be amoral strategists. Alike Nietzsche’s Übermensch, ‘il principe’ in the writing of Niccoló Machiavelli makes up his own rules autonomously.

Employees in the financial market of Stockholm are elitarian meritocrats who possess little of particularly Swedish values such as egalitarianism. Some of my respondents maintain that they autonomously conceive what is just. One trader I interviewed claimed: “I think I have a capacity to formulate my own morality.”

Many people who earn a high income think that they have the right to surpass rules and the morality of common man (Demoskop 2003). From its established position, the financial elite dares to challenge or even ignore the morality of the man in the street. This hubris is likely to damage the acceptance of the financial market.

Separatism

Speculator George Soros (2000) perceives financial markets as a moral freezone: ”Currency traders sitting at their desks buy and sell currencies of Third World countries in large quantities. The effect of the currency fluctuations on the people who live in those countries is a matter that does not enter their minds. Nor should it; they have a job to do.” and ”When you speculate in the financial markets you are free of most of the moral concerns that confront an ordinary businessman. I did not have to concern myself with moral issues in the financial markets.” (Soros 1995). This is very comfortable for traders, who thus show their inclination to separate financial markets not only from the rest of society, but also from business in general. Many traders and brokers claim that the market deserves an autonomous sphere. The man (sic!) of finance is more likely to create a morality separated from society than to abide society-wide norms. Two of the brokers I interviewed put it: “In this job you view the world a little from above.” and ”/.../ you figure out the ways of the world.”

The managing director of a brokerage firm claimed: “Individual brokerage firms have no money with which they can govern the market, let alone whether they actually want to influence the market or not. No actor can control the market for longer than a short while. To drive the market in a certain direction becomes very costly. Neither does it pay off.“ ”Anyway we are so small. /.../ We only do what others ask us to.” As the head of sales at an investment bank expressed it. No actor accepts responsibility for companies that decide to shut down a factory or dismiss personnel. Both brokers, who execute trades on behalf of their clients, and traders who trade on account of their own firm, assert that they do not have any power, or any impact on society. By claiming that they have no power, brokers and traders maintain to be liberated from responsibilities. Brokers blame shareholders, who in turn blame industrial leaders, who blame an economic necessity, politicians or 'the market'. When I asked a stock broker about committing profitable, but morally questionable activities, he answered: "If I don't do it, someone else would." Brokers deny moral responsibility for transactions and investments. By taking little responsibility for the society they are part of, brokers position themselves in the periphery of society, and implicitly describe themselves as amoral. Employees in the financial market do not view external legitimacy as important for their business. Such disinterest is significant for how economic elites construct autonomy.

In a rapidly developing and turbulent business, also morality is highly likely to be turbulent (De George 2002: 268). Deregulation of the financial market wiped out norms of behaviour. Gentlemanly honour used to be a strong ethic in finance, but has been replaced by outright greed (Tickell 1996). The CIO of the Swedish Securities Dealers Association (Olsson 2003: C2) himself described his member firms as: "Some of these firms are like the Wild West." Virtuous behaviour and sense of good business ethics, however, demands enduring efforts, and a long-sustained culture that assigns a high value to human character (MacIntyre 1981: 177; Aristotle 1911: 21-29).

The invisible hand in a broker's head

Social science theories can become self-fulfilling by shaping management practices and social norms about behaviour. Theories have consequences on values by promulgating language and assumptions (Ferraro 2005). Business was once understood to be subordinated to ethics (Runefelt 1999: 655-682). In the 20th century however, the neo-classical approach voided ethics and value judgements from economic science (Fox 1974: 161-167; Sen 1987: 7-8; Davis 2005: 599-600). Financial economics is a successor to economics, and similar to its ancestor suffers from a disinterest in morality. This dominant perspective in finance does not support moral agency in organizations.

The language of financial economics shapes management practices. As Weber pointed out, the value-laden elements of assumptions can never be eliminated, but are instead reproduced in practices. The assumptions of modern finance become taken for granted and influences agents to make the theories, their assumptions and their embedded norms come true.

Humans have a capacity for ethic reasoning, but when we follow routines and scripts (Gioia 1992) we are less human. Robots and computers accordingly take over precisely those tasks that have a routine character. The script in brokerage firms does not allow reflections over ethics being included in action. Scientific reasoning about financial markets ignores responsibility for society at large. While assuming away any considerations of morality and social responsibility, economic theory justifies the egoism of employees. Market mechanisms would distribute resources and welfare in a fair and efficient manner. This superior rationality is part of Adam Smith's concept the invisible hand (Smith 1976: 456), finding its current basis among proponents of the economic and political theories of the Chicago school, represented by George Stigler and Milton Friedman. According to standard economics, rational actors seeking profit should make the market work well. Managers are supposed to maximise profit single-mindedly for the benefit of shareholders. Management and shareholders would thus contribute to social welfare. The idea that business has the single normative principle to maximise the profit of individual actors is however an amoral principle, that is as likely to be followed by moral as by immoral action.

A doctor observes how the patient is hopefully recovering from the medical treatment. In financial markets, there is no such concrete experience. The social utility of financial markets is imperceptible as only being indirect, governed by an invisible hand. Theories of neo-classical finance are deciding our views on the utility of financial markets. Primarily science and concept of the invisible hand prove that financial markets promote the common good.

Economics has a role in constituting modern economies (Callon 1998). Being a social science, finance theory has the potential to alter its objects of study. Option pricing theory for example seems to have been helping create a world of which the theory was a truer reflection (MacKenzie and Millo 2003). Neoclassical financial economics presupposes the existence of aggressive arbitrageurs who are using imperfections of the market for their personal gain (MacKenzie 2003). Finance provides actors the ideal of being aggressive, and to profit from actors that act less rationally.

Friedman (1953) pronounced the opinion that unrealistic theories are acceptable as long as they produce good predictions. Such approaches build on the assumption that theories in themselves do not entail substantial consequences. Theories of neo-classical financial science, however, are influencing the minds of employees in financial markets (Hawley 1991; Boatright 1999: 6, 124). Brokers and traders educated with neo-classical models make axioms of neo-classical economics part of the pre-understanding in the market. Brokers have integrated neo-classical theories about efficient markets (Fama 1970) in their values and actions.

Adam Smith referred to the market as a metaphor for a process of exchange governed by explicit and implicit moral understandings. Smith described the self-interest of an invisible hand that was embedded in a community. Neo-classical economists however liberated this self-interest from social embeddedness. Education in economics reproduces a belief in the justice and efficiency of this disembedded invisible hand (Boltanski and Chiapello 1999: 58-67). Hence, actors in financial markets tend to neglect the moral foundation of their business (Boatright 1999: 124). Instead of taking much immediate moral responsibility, financial actors justify their actions with the abstract rationality of the market mechanism. A broker declined moral responsibilities for his transactions: “Those are purely philosophical questions.” Employees regard themselves as serving the invisible hand. Macro-moral (Hirsch 1976: 132-133) concerns for maintaining and promoting an abstract system would be sufficient. Brokers and traders take more interest in general cases than in particularities, thus reproducing a culture without much awareness about personal responsibility.

One respondent made the claim that the unsentimental mechanisms of the market guarantee good ethics. He defended his market with the following Darwinian argument: ”It is very rare that a company that undertakes immoral, unethical stuff in the long run achieves a fair return. Those investments instead turn out to be unprofitable because the market soon corrects.” A former manager over a mutual funds group said: “You cannot sell Russian funds to widows and orphans. But to a certain extent it is self-regulating. Inferior analysts lose money.” (Furuhagen Vestergren 2001) Brokers and traders base their ignorance for the responsibility for social consequences on neo-classical economic science. This ignorance is part of the amorality of actors.

Brokers and traders are convinced that all individuals ought to search the best for themselves. Actors in the financial market presuppose that also other actors are calculating and highly self-interested. One stock broker said: “Some brokers keep secrets from colleagues in their firm.” The head of equities at a brokerage firm said about a former employment: ”You had to be protective vis-à-vis others on the company and to snatch customers from each other. Secrets, competition or virtually internal war were commonplace.” A trader exclaimed: “You can be too honest, and you’ll go nowhere.” (Abolafia 1996: 21) The result of these beliefs is little trust between actors competing in this market. As trust is a scarce commodity in the financial market, several opportunities for mutually beneficial co-operation are lost. With regard to their short-sighted self-interest, brokers act rationally. The conviction that a short-sighted self-interest ensures success is however not necessarily true, as it reduces co-operation in the market. The rationalist mentality of brokers is likely to have important, irrational outcomes.

Acting beyond good and evil

As customer of a brokerage firm, I phoned the back office of the firm. I asked the man answering to make a particular money transfer for me. He told me that the Swedish Financial Supervisory Authority (*Finansinspektionen*) does not allow such transfers being made. He however said it was ok, and seemed to have no doubts about my request, but rather appeared to feel positive about our camaraderie.

Employees in financial institutions think that the law applying to their business is satisfactory, as it gives the financial market legitimacy and goodwill. They do however at times want to go around. They also perceive it as advantageous to give good customers particular favours, not only invitations to fancy dinners, but at times also bypassing laws on behalf of the customers. The head of equities at a brokerage firms said: ”If you are talking with the major customer of the firm, you have to allow some unethical stuff”. Some customers demand irregular activities. Employees are reluctant to apply higher ethical standards, as they would lose customers in the competition between firms, as well as between employees.

One broker stated: “I guess that moral values are less considered in our business than in other occupations.” How do brokers and traders rationalize their decision to abdicate from moral responsibility? One reason is that neo-classical economics negating responsibility. The agents have no ambition to act from a moral or immoral point of departure, and are not interested in making use of their human capacity of being moral subjects. Secondly, the abstract work with large amounts of financial capital is putting the morality of actors at risk. The abstract products in modern financial markets blur the brokers’ perception of morality.

While a split second is often decisive for the success of the trader, he has few opportunities to reflect on the moral dimension of his work. Acts of morality, however, consume time. In financial markets, there is little room for anything that the actors perceive not to be profitable. Brokers and traders avoid unwarranted reflection, ethics, coffee breaks and small talk. In the view of a market maker I interviewed: ”/.../meetings tend to be short of content.”

A trader rejected the possibility that any moral ideals or criteria could exist outside the law: ”Moral concerns are covered in laws and codes written by our professional association.” A stock broker affirmed that: “Ethics is a difficult word, but I think of it like when you follow the rules of the exchange.” In financial markets, moral obligations are rarely recognised. Brokers are most comfortable reducing their values only to a moral minimum, the minimum which is necessary for the public acceptance that they need. In the Swedish financial market some decades ago, insider trading, front-running and many other unpleasant forms of conduct were not prohibited. With such lenient rules, a person with a flexible amorality was likely to commit questionable acts on his random walk across the trading floor. Misdemeanour was more common (Chernow 1997:33) before legislators and media increased their efforts to discover and expose such behaviour. Today brokers and traders act reasonably good because rules are good, not because they have a good ethic. With deficient rules they could well have behaved worse.

The opportunity to earn much money in financial markets is giving incentive for aggressive attitudes of risk taking and greed (Lewis 1990; McDowell 1997). Aggressive ambition, egoism and greed are certainly not promoting a non-instrumental morality, but still support the function of the financial market. A managing director of an investment company, formerly stock broker, claimed: ”A broker is supposed to cooperate with smart people, but personally he had better be a psychopath.” A stock broker says that: ”There are always a few who are mentally disordered. We have a few who batter their keyboards." Highly self-interested employees maintain the business but also the deficient morality of the financial market. Amoral attitudes tend to reproduce within the financial population.

The amoral mentality is particular to the financial market insofar as traders pursue an aggressive behaviour seeking loopholes to profit from. Secondly, they handle large amounts of abstract financial capital, stimulating an abstract greed. Agents in the financial market do not believe in, and do not experience any other values than viewing profit as fair. Such a narrow focus on profit maximization is amoral (Boltanski and Chiapello 1999: 58, 80, 582, 596-597).

Focus on fulfilling functions makes agents rely on scripts that divert from patterns of moral agency (Gioia 1992: 385-7). As Macintyre (1981) formulated in his theory of privation of virtue in bureaucratic work-conditions, the culture of financial institutions puts a pressure on brokers and traders that makes it difficult for them to engage in moral behaviour. The digitisation and technical trading efficiency of the financial market do not permit moral reflection.

Conclusion

Interviews have given contact with the personalities in the Swedish financial market. Literature on its side has given theories and understanding of the place of brokers and traders in the history of Swedish and Western mentality.

We have described the scandals as consequences of the amorality of financial markets. An amoral mentality is followed by immoral behaviour that is liable to be exposed in media as scandals, thus inviting criticism from the general public. The mentality of the financial market is rooted in the particular working conditions. One reason for the amoral financial mentality is that more money is involved in the financial market than in most other areas of social life. Furthermore, efficient work in this highly competitive market demands employees with certain values and a certain mentality. This mentality can be described as an amoral mentality in a pentagonal shape:

- Brokers and traders neglect the moral dimension in transactions.
- Except from working for the capitalist system, brokers perceive that their actions have no bearing upon morality.
- Brokers and traders do not question the possible utility of their work.
- The fact that the scientific idea of the invisible hand is necessary for showing that the financial market makes a positive contribution to society is a priori amoral.
- Traders look upon doing transactions as a game, and therefore have an amoral attitude to their work.

Our question if some underlying values held by the agents are likely to cause frauds in the financial services industry has thus been answered positively. The financial mentality is embedded in the work in the financial market, but this market has a weak moral fundament. The culture of the financial market is only vaguely integrated in society. Since society is more and more permeated by financial transactions, the amorality and ruthless competition in the financial market might erode the social web of society.

The mentality of the industry manifests itself in responses in interviews. By having indicated the values and beliefs of brokers and traders, that make behaviour likely, we showed that mentality offers a way to understand behaviour and study morality.

Appendix 1

In table 1, data from my interviews are reported. Among the questions I posed I have chosen the most important and included those statements from the respondents that are the most colourful and have the most explanatory power.

[Table 1 here]

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