Professional ethos and the structures of harm. Why the paradigm of the "good doctor" is not enough

This paper asks what kind of professional ethos might usefully supplement better rules in the financial system. There are many reasons to think that systems that combine external regulation and a shared ethos are better able to prevent moral wrongs than systems based on external regulation alone: the latter have to get rules and incentives exactly right, they have to cope with undue influence on the processes of rule-setting, and they are marred by the problem of how rules are to be applied to concrete cases. Hence, it is often advantageous to combine regulation and an ethos – but can there be a professional ethos in banking?

The traditional paradigm of professional ethos is that of the "good doctor" who cares about the health of his or her patients and resists temptations or pressures to act against this ideal, because he or she has internalized it and it has become part of his or her identity. This internalized ideal helps to protect the patients against abuse that is possible because of the asymmetry of knowledge between doctors and patients. Thus, the "structures of harm" in such cases are local and causally direct. The professional ethos of a good doctor responds to this constellation of local vulnerability and asymmetrical knowledge.

A structurally similar ideal has also been held up as an ideal for banking. Building on MacIntyre (1984), van de Ven (2011) calls for the return of a professional ethos among bankers. His model, however, can only cover certain types of harm that can arise in banking: those arising between bankers and their clients, in relationships that are similar to those between doctors and their patients, i.e. characterized by local vulnerability and asymmetrical knowledge. But there is a second "structure of harm" that can arise in banking: that of widespread, "systemic" harm that is done by the working of the financial system (or parts of it) as a whole. For example, when a speculative bubble develops and then bursts, it can do massive harm to the economy of whole countries, impacting on many individuals who are only indirectly connected to the financial markets in which the speculation took place.

A professional ethos that could respond to this type of harm has to overcome three types of challenges:

- Epistemic challenges that concern the understanding of how one's own actions might contribute to systemic harm. This challenge is increased by the fact that banking is, in principle, supposed to serve *other* social purposes; hence the evaluation of how beneficial or harmful certain banking activities are cannot be made by bankers alone.

- Motivational challenges that concern the willingness to abstain from actions that might do harm to others. Research by psychologists shows that human beings are less motivated to prevent harm to "statistical" victims than to "identifiable" victims (Small / Loewenstein 2003). But the victims of financial wrongdoing are usually statistical rather than identifiable, and they are not in the focus of attention of bankers' day-to-day activities.
- A coordination challenge that concerns the coordination of behaviour among those individuals who are jointly responsible for certain outcomes, especially if they see one another as competitors.

These challenges imply that, paradoxically, areas in which the structures of harm are systemic are both in great need of a strong professional ethos, and contain serious challenges to the establishment of such an ethos.

Rather than rejecting the idea of a professional ethos for bankers, the paper asks whether forms of collective action, for example at the level of professional associations, could overcome these challenges. A professional ethos could express the collective co-responsibility of the financial sector (or parts of it) for the prevention of crises, dysfunctionalities and other forms of negative externalities. Associations could help to collect and process information, thereby addressing the epistemic challenge. They could also help to coordinate behaviour, for example by establishing professional standards about how certain regulations are to be applied to concrete cases and by supporting the setting of good rules. Concerning the motivational challenge, they could change the structures of social recognition in ways that help counteract the temptation to do wrong. If social recognition turned out to be too "soft" a currency for changing the behaviour of bankers, a further step would be to consider forms of personal liability in the "hard" currency of financial penalties.

The structure of harm described as "systemic" harm is by no means unique to the world of banking and finance. Addressing it there could lead to learning processes that might also be applicable to other areas.

- MacIntyre, Alasdair. 1984. ***After Virtue. A Study in Moral Theory*** (2nd ed.). Notre Dame: Notre Dame University Press.
- Small, D.A. and G. Loewenstein. 2003. "Helping a Victim or Helping the Victim: Altruism and Identifiability." ***Journal of Risk and Uncertainty*** 26(1): 5–16.
- van de Ven, Bert. 2011. "Banking after the Crisis. Towards an Understanding of Banking as a Professional Practice." ***Ethical Perspectives*** 18(4): 541–568.