



Can a Good Person be a Good Trader? An Ethical Defense of Financial Trading

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Abstract

In a 2015 article entitled “The Irrelevance of Ethics,” MacIntyre argues that acquiring the moral virtues would undermine someone’s capacity to be a good trader in the financial system and, conversely, that a proper training in the virtues of good trading directly militates against the acquisition of the moral virtues. In this paper, we reconsider MacIntyre’s rather damning indictment of financial trading, arguing that his negative assessment is overstated. The financial system is in fact more internally diverse and dynamic, and more reformable, than suggested by MacIntyre’s treatment. The challenge at the heart of MacIntyre’s claims can be crystallized in the question, “under which conditions, if any, can a person be an effective trader and simultaneously live a worthy human life?” We conclude that there are realistic possibilities of integrity and growth in moral virtue for those who work in the financial sector, at least for those operating in a work environment minimally permissive toward virtue, provided they possess characters of integrity and genuine aptitude for the skills and attitudes required in their professional tasks.

Keywords Finance ethics · Financial trading · MacIntyre · Virtue ethics · Integrity

Introduction

In a 2015 article entitled “The Irrelevance of Ethics,”¹ MacIntyre argues that acquiring the moral virtues would undermine someone’s capacity to be a good trader in the financial system and, conversely, that a proper training in the virtues of good trading directly militates against the acquisition of the moral virtues. In dialogue with MacIntyre’s arguments, this paper aims to explore the dynamic relationship of a person with his/her work environment, taking on the question of whether a person of integrity could work as a trader without betraying his/her commitment to live a worthy life. The central claim we wish to argue for, contra MacIntyre, is

that there exists a realistic possibility of integrity and growth in moral virtue for those who work in the financial sector, and specifically, in financial trading. In order to flesh out the argument, we explore the place of financial trading within the architecture of the financial sector and specify environmental and agential conditions under which trading could be reconciled with the pursuit of virtue.

Finance ethics literature predominantly assumes a very narrow perspective on the acting person, in line with Kantian morality at least as it is commonly understood. Ethics is considered as a way of answering questions such as “is it licit or illicit?” or “is it morally permissible?” The most complete handbooks in the field of finance ethics are based almost exclusively on compliance with and respect for legal and moral norms (e.g., Boatright 2010, 2014). This way of understanding ethical inquiry considers whether a single action or action type is lawful or good, but fails to consider the significance of the action as part of a larger life narrative. By contrast, the question we intend to explore, namely whether a good person can exercise the role of trader without

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¹ This is the first chapter of Bielskis and Knight’s *Virtue and Economy*, an edited volume that interrogates the possibility of applying the standards of virtue to current economic scenarios using a MacIntyrean interpretive lens (Bielskis and Knight 2015).

betraying his/her commitment to live a worthy life, assumes a first-person approach to ethics, which has as the ultimate horizon for human actions the pursuit of a worthy human life both as individuals (happiness/flourishing) and as part of a community (common good).²

The application of a first-person approach to ethics to the field of business and finance draws its chief inspiration from the revival of virtue ethics that we have witnessed over the past three decades (Ferrero and Sison 2014). Thanks to Anscombe's invitation to rediscover Aristotelian categories of analysis for moral life (Anscombe 1958), and MacIntyre's translation of Aristotelian natural teleology into a language understandable for contemporary philosophers and "plain persons" (MacIntyre 2007 [1981], MacIntyre 2016), virtue ethics has once again become an effective and credible interlocutor in theoretical and applied ethical inquiry, after lying dormant for much of the modern era. Virtue ethics in business is already a well-developed field of research,³ while in the parallel field of finance ethics the research is still in its early stages. Recently, there has been an upward trend in the publications of work in the field of finance ethics grounded in virtue ethics, especially by authors inspired by MacIntyre's seminal contributions in the field (Ferrero and Sison 2017; Graafland and van de Ven 2011; Robson 2015; van de Ven 2011; West 2016; Wyma 2015; less recent but still significant is the contribution of Dobson 1997).

In this context, the question whether or not a good person can be a good trader joins an ongoing dialogue with MacIntyre's work in the field of business ethics.⁴ The distinctive contribution of our paper is to make the case that MacIntyre's criticism of finance and trading, though valid in certain contexts, is significantly overstated, making sweeping generalizations that fail to do justice to the real situation of many of those who work in financial institutions. We agree with MacIntyre that financial institutions can and often do damage people's moral character and that conventional forms of training for finance are all too often at loggerheads with the virtues. Furthermore, we are just as skeptical as MacIntyre that the whole financial system can be brought into line with the requirements of a virtuous life.

² We take this distinction between first-person and third-person ethics from the work of Abbà (1996): first-person ethics considers the perspective of the acting person and answers the question: "what is the best life to live?"; third-person ethics, by contrast, assumes the perspective of an external observer and answers the question: "is it permissible?", "does it violate established norms?"

³ Sison et al. (2017) put together the most recent collection of articles on virtue ethics in business and management.

⁴ According to a complete literature review on virtue ethics in business and management (from 1980 to 2011), MacIntyre is the second most cited source—after Aristotle—for virtues ethicists in business ethics (Ferrero and Sison 2014). See Beadle (2017) for a literature review on MacIntyre's influence on business ethics.

Where we part ways with MacIntyre is in our view that the fragility and manifest flaws of financial institutions do not entail MacIntyre's more ambitious claim that agents cannot generally exercise the human virtues within them. On the contrary, as we argue in this paper, there can be a form of engagement with the financial sector—and financial trading specifically—that does not involve the abandonment of virtue and that may even be an occasion for growth in personal integrity and virtue. If this is so, then financial institutions are not entirely irredeemable from an ethical perspective, even if their wholesale reform is not likely to be achieved anytime soon.

The argument will proceed in five stages: (1) to motivate the argument, we open by describing the cases of two well-known traders, which seem to epitomize all the features of financial trading that MacIntyre condemns so roundly. (2) We then offer a sympathetic restatement of MacIntyre's argument for the incompatibility of financial trading and related activities⁵ with the living of a virtuous human life, supplemented by our own consideration of specific aspects of trading activity it is hard to imagine a virtuous agent performing. (3) Thirdly, we develop a broader context for our defense of the compatibility of trading with virtue, by offering a broad characterization of financial trading and its core purposes within the financial system. (4) Keeping this framework in mind, we show, through a fine-grained examination of the main dimensions of trading activity, that MacIntyre's moral indictment of financial trading is too sweeping and general in scope to survive serious scrutiny and (5) specify certain minimal and realistically attainable agential and environmental conditions under which virtuous financial trading should, in principle, be possible.

The World of Traders

There is no shortage of real-world examples to support MacIntyre's thesis that under standard conditions, financial operators face relentless and even irresistible pressures to adopt vice-ridden attitudes and forms of conduct. Here, we focus on two cases that seem especially representative of the moral pitfalls of trading: the cases of Bruno Iksil and Kwaku Adoboli, respectively. The former became known as the "London Whale," while the latter was a rogue trader who

⁵ Technically, many activities implicated in the financial market are not "trading" as such. The financial market may be exploited through fund management, the design of financial products, the marketing of financial products, the provision of venture capital or ordinary capital, risk management, and so forth. However, many of these activities are structurally similar to trading insofar as they are intimately implicated in the functioning of the financial market and tend to be competitive in precisely the ways MacIntyre views as problematic.

caused the Swiss bank UBS to lose \$ 2.3 billion. Both cases were in the spotlight of financial news in 2012.

Bruno Iksil was a trader of JPMorgan Chase when on May 10, 2012, the CEO Jamie Dimon announced in a press conference that JPMorgan Chase had lost \$ 2 billion in the second trimester of 2012 because of unsuccessful aggressive trading strategies.⁶ Dimon admitted that “errors, sloppiness and bad judgment” were important contributory factors (Dimon in Silver-Greenberg and Eavis 2012).

Iksil was trading Credit Default Swaps, under the supervision of his Chief Investment Officer, Ina Drew. In May 2012, JP Morgan realized the positions open by Iksil were oversized (this is the reason for his nickname, “London Whale”), and the losses which the investment bank incurred were huge (while some hedge funds took advantage of the opportunity, profiting from JPMorgan losses (see Ahmed 2012)). The CIO Drew resigned, assuming personal responsibility for the situation that led to the dramatic losses (Roose 2012). Money is important to banks, of course, but in this particular context JP Morgan’s problems were more related to reputation and investors’ trust than to profits as such. For one of the biggest investment banks, such as JPMorgan Chase, \$ 2 billion can be recouped in a few semesters (in the first trimester of 2012 JP Morgan reported net income of \$ 5.4 billion—see JP Morgan Chase 2012); recovering reputation and trust is much more difficult. For the purpose of this article, the most interesting part of the story is that Bruno Iksil suffered no consequences, as a trader, for what happened. His CIO had authorized him; he had acted within the relevant legal framework. This was part of his job as a trader. Even during the investigations following the scandal, Iksil was considered innocent.⁷ Recently, Iksil came back into the spotlight because he wrote a public letter arguing that his role in the JPMorgan Chase trading losses was overstated (for a good explanation of the facts and for Iksil’s letter, see Dakers 2016).

The story of Kweku Adoboli has an entirely different flavor, because in 2012 Adoboli was directly accused of exposing UBS to disproportionate risks, causing the bank to lose \$ 2.3 billion. In the case of Adoboli, the trial recognized his full responsibility and condemned him to 7 years in jail (in the end, he only served three). Adoboli managed to hide some off-the-books trades from his bosses, so his activity was neither authorized nor monitored by the bank, which was thus unwittingly damaged by its own trader’s activities (see, for example, Schumpeter 2012).

These and similar cases have been in the spotlight of media and public opinion, even if the specific details of each situation are often unfamiliar to the general public. The fact that they are generally associated with the financial sector helps explain why financial activity has met with so much public opprobrium and distrust, while the vast quantities of money involved naturally raise suspicions about the legality and morality of the actions undertaken by traders.

The question is, are the cases of Iksis or Adoboli *paradigmatic* of financial activity—do they represent a systemic problem in the financial industry, an illustration of *the* dilemma of creeping vice and complicity that inevitably confronts all financial operators sooner or later, a warning to “get out while you still can”? Or are they better understood as exemplary tales of how *not* to engage in financial activity, a salutary warning to virtuous traders to “stay on the straight and narrow” and bravely resist the temptation to stray into vice and corruption? We believe that Iksis, Adoboli, and comparable characters⁸ are *not* exemplary of the responsible or successful financial trader, *even if* their behaviors turn out to be statistically frequent in the financial sector, and even if their personalities and strategic choices tend to yield higher levels of income and prestige in financial circles. But before we explain why, it is worth rehearsing the reasons for MacIntyre’s insistence that financial trading *cannot* be exercised successfully by a virtuous person.

Financial Trading: A Training in Vice?

In “The Irrelevance of Ethics,” MacIntyre (2015) defends several distinct claims, two of which we find particularly problematic and worthy of careful scrutiny: (1) educating someone according to the standard of the virtues will seriously jeopardize her chances of succeeding as a financial trader, and (2) the ethics of virtue and the way we think about money have been disconnected in the course of history to the point that ethics is nowadays irrelevant to economic rationality. These two claims, taken together, constitute a formidable challenge to the very intelligibility of the category of the “virtuous trader,” at least under conditions prevailing in the current financial system.

The most significant aspect of MacIntyre’s argument for the ethics of financial trading is the proposition that financial trading, of its very nature, demands the achievement of certain capacities and ends (a) pursued independently from

⁶ At the end of the investigations, it turned out that the losses came to approximately \$ 6.2 billion.

⁷ For the purpose of this article, we are not entering into more details about the subsequent investigations and the fines imposed upon JPMorgan Chase by different authorities/regulators, and the class action undertaken by JPMorgan Chase investors.

⁸ We would here refer the reader to some of the protagonists of the interviews collected in *Swimming with Sharks* (Luyendijk 2015), a book that explores the personal and professional situation of people working in London’s financial district.

their contribution to a virtuous life and (b) carrying strong tendencies toward the moral corruption of the agent.

To understand why MacIntyre views financial trading and associated activities as inherently corrupting, let us briefly review the four features MacIntyre (2015) identifies as constitutive of moral character and compare them with the dispositions he views as characteristic of successful financial operators. The first feature of moral character he points to is an adequate and realistic self-knowledge and confidence in one's own worth and abilities. MacIntyre bases the identification of this first feature on Winnicot's studies about the behavior of mothers and its decisive influence upon children's character (Winnicot 1964, 1971). One who develops this virtue has a balanced and realistic self-concept. There is little or no room for this virtue in the financial sector, according to MacIntyre, since the mark of the successful financial operator, especially in financial trading, is to be excessively self-confident, that is, to harbor an exaggerated perception of his or her own strengths and potential for achievement.

The second feature of the virtuous person identified by MacIntyre is courage, defined as a happy mean between temerity and cowardice. In the decision-making process, the correct evaluation of the consequences of one's actions and perseverance in following the good even in adverse situations are what constitute the virtue of courage. According to MacIntyre, the financial operator does not consistently display the virtue of courage because he relies on mathematical formulas rather than sound judgment, rendering him "unable to distinguish adequately between rashness, cowardice and courage" (MacIntyre 2015, p. 11).

The third feature of the virtuous person highlighted by MacIntyre is awareness of other actors and their good, and a commitment to give each their due: the virtue of justice. This seems to be in stark contrast to the habitual attitude of financial operators, in particular traders, who act exclusively or almost exclusively in their own interest, at others' expense. By way of illustration, we could consider the imposition of unjust debt, for example, debt charged to future generations who had no hand or part to play in incurring that debt (2015, p. 19), a consequence of ruthlessly self-interested and unjust behavior, not only tolerated but encouraged and required by the global financial system as it stands.⁹

Finally, the fourth feature of moral character discussed by MacIntyre is a sense of the historical context of one's actions, which entails the ability to interpret one's actions and one's situation in relation to one's life and actions and

even in relation to their place in the history of a community, nation, or civilization. This broad historical perspective gives one's projects and judgments a proper sense of perspective and helps one avoid repeating the errors of one's predecessors. The short-termism typical of the financial sector impedes the development of this important virtue (MacIntyre 2015, pp. 9–12).¹⁰

MacIntyre's conclusion from this analysis is 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" (MacIntyre 2015, p. 12). It inescapably follows from this bold claim that if we want to be good traders—if by "good" we mean successful within the terms of finance and trading—we need to abstain from living up to the standards of virtues and work on the formation of a series of habits that are morally vicious or corrosive of the virtues of a good person. In short, according to MacIntyre those who wish to be good *qua* traders cannot escape being bad *qua* human beings.

The figure of the successful trader as an agent immersed in vice is clearly not meant to depict an anomalous situation, but to depict the *typical conditions* for success in financial trading. But these vitiating conditions, on MacIntyre's view, are not a necessary correlate of finance and trading *as such*, but rather, an outgrowth of finance and trading *as they have been conceived and implemented in the modern era*. To show this, MacIntyre provides a backstory for his argument, a narrative to explain how the financial system (and financial trading which in reality seems to be just a vivid case to illustrate a general moral pathology) came to be antithetical to the exercise of virtue. According to that story, economic thought and practice¹¹ have evolved in the modern era in such a way that the standards of money have come to predominate over the standards of virtue. Money has been transformed from being a tool useful for obtaining particular goods, to a measure of everything, so that the distinction between money as an instrumental good and virtue

⁹ "Those who were the engineers of this debt and who had already benefited quite disproportionately from the extension of credit have been to an extraordinary degree allowed to exempt themselves from the consequences of their delinquent actions" (MacIntyre 2015, p. 19).

¹⁰ These features, "habits," that MacIntyre highlights are confirmed by some financial literature, especially in the field of behavioral finance. See, for example, Barber and Odean (1999, 2001) on overconfidence and excessive courage as explanation of the level of trading in financial markets; Brown et al. (2010) show how the habit of being self-interested distinguishes people involved in finance from other people as early as during their college years; on the relationship between finance and short-termism, see Mauboussin and Callahan (2015).

¹¹ We should clarify that here as elsewhere in the paper, we use the term "practice" in its ordinary everyday sense, to indicate a purposeful, structured, and more or less complex cooperative human activity carried on in a more or less routinized or habitual manner, not in the special sense intended by MacIntyre.

as an intrinsic good has become practically irrelevant, and it has become impossible to reconcile the standards of money-making with the standards of the virtues.

We could observe, in support of MacIntyre's position, that the globalized economy has stacked a range of institutional and cultural incentives in favor of vices such as greed and injustice, such as win–lose gaming scenarios and legal protection for reckless risk taking, along with cultures that attach enormous prestige to the accumulation of vast quantities of wealth by individual economic actors. It should come as little surprise, then, that participants in the globalized economy, as MacIntyre rightly observes, have been dominated by an intemperate desire for the acquisition of wealth and resources—what Aristotle would call the vice of *pleonexia* (see, for example, Aristotle, *Nicomachean Ethics*, V, 1129b), directly opposed to the virtue of justice. Even if they were not predisposed to such vices, the conditions of financial trading may very well present powerful incentives to develop them.

We could strengthen MacIntyre's case against the ethical value of financial trading by taking a closer look at the role of the trader in the financial system and highlighting specific aspects of trading activity that are hard to reconcile with a virtuous life or a commitment to the common good. According to MacIntyre, “traders” are “those at work in the financial sector who trade in securities and currency, either on behalf of their firm's clients or for their firm itself” (2015, p. 10). Hull (2012) offers a more fine-grained account, enumerating three principal types of trader: (a) *hedgers*, who gain from the price difference of the same product at different times; (b) *arbitrageurs*, who gain from the price difference of the same product in different markets; and (c) *speculators*, who take a position in a market, betting on the increase or decrease in a price, gaining from the difference with the real price if their bet is correct. If we focus on the amount of time they hold their positions, we can make a further distinction between *scalpers*, *day traders*, and *position traders*. *Scalpers* hold their position for a very limited amount of time, even just a few minutes; *day traders* close their position within the trading day; and finally, *position traders* hold their position for longer periods, hoping to gain from price movements across a larger time frame.

The activity of financial trading performed by speculators, especially those who hold their positions for a very limited amount of time, could be morally suspect or even illegal if it is aimed, for example, at price manipulation, which could give rise to dangerous price bubbles. This kind of financial attitude, which is supported by those habits of moral character described by MacIntyre as excessive self-confidence, temerity, and scarce attention to others and to the historical context, can be considered as immoral because it has destabilizing effects on the market, especially when it is applied to big—or even huge—quantities of money or

assets. While intelligent long-run investment in companies is a perennial and respectable way of participating in the realization of socially valuable projects, buying and selling within a very small time slot does not look at assets or projects in themselves, but rather, seeks to profit from their short-term price movements. This behavior effectively converts financial speculation from a rational and socially beneficial investment activity into a form of reckless gambling.

There are other aspects of financial trading that straddle the borderline between illegality and immorality and seem to lend further corroboration to MacIntyre's argument against trading. Four are especially worthy of comment: (1) “cornering the market” (Hull 2012), (2) “front running” (Hull 2012), (3) proprietary trading (U.S. Department of Treasury 2013), and (4) two interrelated features of many financial transactions, namely their high level of opacity (Sato 2013) and impersonality (O'Hara 2016). It is worth discussing these problematic aspects of trading so that we get a more vivid and fine-grained picture of the ways in which trading can become an instrument of corruption and injustice.

1. “Cornering the market” is a way of distorting the original purpose of futures, one of the most used products in the derivative market. The original function of a future is to protect the counterparties of a deal from the risk of the change of a price over time. When they subscribe to a future contract, the parties commit to exchange an established quantity of a product/commodity/financial asset (which is called the “underlying asset”), at a fixed price, at an established future date (maturity of the contract). The one who is committed to buying the underlying asset at the maturity of the contract is said to hold a “long position”; the one who is committed to sell holds a “short position.” From the perspective of the one who holds the long position, “cornering the market” consists in performing the same financial transaction that a “normal” user of a future on a product would do, but for purposes of speculation rather than in order to protect the price of a commodity over time. A speculator, in this context, might “corner the market” by buying a large long position on the future market of a commodity and also acquiring a large share of the commodity to which the future is linked. In this way, when the future contract is approaching its maturity, the one who holds the short position goes to the market in order to buy the amount of the commodity he or she owes from the one who holds the long position. The problem is that the speculator, buying a large quantity of the underlying asset, made its price go up, because he made the commodity scarce. So, in order to keep the commitment he or she has, the one on the short side will be compelled to buy the commodity at the (inflated) market price. This shows how the activity of the owner of both the commodity

and the long position on the future contracts engages in intentional price manipulation. Those who were on the short side of the future contract have in this way been “cornered” by the speculator.

2. “Front running” is an unethical and illegal way of practicing the activity of financial trading performed by an authorized financial intermediary. A paradigmatic situation of front running could be the following: a client goes to a brokerage firm to invest her financial resources, and she is assigned to a broker; the brokerage firm, thanks to information it owns, can give a recommendation to the client about which stocks it is better to buy. If, for example, the brokerage firm gives the client one of the strongest recommendations possible (the so-called strong buy), it means that those particular recommended stocks promise high revenues. “Front running” happens when, in a situation like the one described, the broker, called to execute the trade on behalf of the client, decides first to buy part of those stocks for his own personal account and then to execute a bigger order for the client. In this way, when the price of the stocks goes up because of the large buy order he executed for the client, the broker himself benefits personally from the higher price by re-selling the stocks he acquired before the price went up. Essentially, front running is a way of abusing privileged information while performing the activity of financial trading.¹²
3. Proprietary trading has found itself in recent years in the crosshairs of financial regulators. Essentially, proprietary trading happens when a financial institution engages in financial trading with its own money and for its own profit, rather than for external clients. The problem arises especially when this financial institution happens to be a bank collecting deposits from normal savers, whose money is managed and invested by the bank itself. In this case, a conflict of interest arises because the bank is trading for itself as well as for its clients: they happen to be both (the bank and the client) on the same market, but for divergent—and potentially conflicting—interests. The Volcker Rule (Sect. 619 of the Dodd–Frank Wall Street Reform and Consumer Protection Act, U.S. Department of Treasury 2013) tried to eliminate this conflict of interest by banning proprietary

trading activity for commercial banks, and prohibiting them from trading in derivatives or participating in hedge funds; these activities are considered too risky for a financial institution devoted to protecting and managing clients’ savings. All these restrictions are meant to establish a more robust financial system, based on a reliable commercial banking sector: applying the Volcker Rule means guaranteeing the clients that the bank is acting in their interests, and not exclusively in its own interest, and that the bank is not engaging in financial trading activities that are too risky. The Volcker Rule is more complex and detailed than expressed here, but for present purposes suffice it to say that the need for this rule is arguably another corroboration of the tendencies observed by MacIntyre within the financial sector toward selfish profiteering and recklessness.

4. Finally, besides cornering the market, front running, and proprietary trading, the growing complexity of financial transactions has rendered the financial market increasingly opaque and impersonal, making the identification of the parties to a transaction and the attribution of personal responsibility for the quality of an asset or product, increasingly difficult (O’Hara 2016). A person who buys or sells a product in large quantities with little knowledge of either the product or the parties implicated is, arguably, acting recklessly.¹³ Thus, the very structure of the financial market can frequently militate against a strong sense of personal integrity, responsibility, and accountability.

The take-home point from MacIntyre’s assessment of the financial system, apparently corroborated by a variety of instances of financial trading activities and strategies catalogued above, is that the financial system is fundamentally immoral, constituted by a culture, institutional context, and standards of conduct which both make it impossible or nigh impossible for virtuous agents to be successful financial operators, *and* tend to support and reward vicious agents in their efforts to advance their own careers at the cost of societal flourishing or to the obvious detriment of other people, at times even their own clients. This is an exceedingly bleak picture of our financial system, with radical implications for its participants, effectively compelling them to choose between continuing in their professional role and remaining faithful to their commitment to living a worthy life. If this is the only choice they have, then virtuous agents have

¹² This problem seems to be even greater in emerging financial markets, where, due to poor regulation and governance of market intermediaries, many brokers together could agree on a strategy of price manipulation using the privileged information they have. This kind of behavior affects the functioning of the market and also threatens justice: for example, in a study of an emerging stock market such as Pakistan, Khwaja and Mian (2005) reveal that rates of return for brokers are 50–90% higher than those for a normal “outsider” stock investor.

¹³ Nowhere was this more vividly illustrated than in the pivotal role of mortgage-backed securities in the 2008 financial collapse. The problem with such a financial product is not merely that it is complex, but that the number and variety of assets and financial actors implicated in it is too large and dispersed to guarantee realistic accountability and transparency for either the seller or the buyer.

compelling grounds for surrendering the terrain of finance to their vicious colleagues, making future reforms of the system all the more unlikely.

Before resigning ourselves to such a dismal outcome, let us inquire whether or not MacIntyre's depiction of the financial sector is in fact fair and accurate. Our analysis below reveals that in spite of the corrupting tendencies that can be widely observed in the financial sector, MacIntyre's case against the compatibility of financial trading with the human virtues is significantly overstated and thus stands in need of careful qualification. We show this through a critical examination of MacIntyre's claims in Sect. 4. But to provide an adequate theoretical context for this critical assessment, we begin by considering the broader purpose of finance itself, since financial trading is only intelligible as part of the financial system.¹⁴

The Broader Purpose of Finance and Financial Trading

If we are to understand how financial activity, including trading activity, can be intelligible and valuable for its participants (taking seriously the perspective of the person seeking to live a worthy life), and more specifically, how it can enhance or undermine virtues, then we need to define finance not only from a technical or operational perspective, but with explicit reference to its purpose and meaning for the community within which it operates.

In this section, we deliberately do not use the MacIntyrean concept of practice (MacIntyre 2007[1981])¹⁵ to assess the ethics of financial trading—even if we recognize that the concept of practice may illuminate the dynamics of cooperative human activities—because the practice–institution distinction raises complex questions of social ontology whose resolution is not required for the limited purposes of our argument. Purposeful human activity can call forth a range of human virtues just insofar as it is oriented toward good purposes, even if the relation of the activity to those purposes is indirect or remote, and even if the activity itself is

not necessarily expressive of the full range of human virtues. Our goal is not to develop a detailed account of the social ontology of finance, but to show that there is a space in the financial sector for an ethically responsible form of trading, by identifying the principal social values served by financial activity, and the means through which finance characteristically realizes those values.¹⁶

Having said that, we happily acknowledge our intellectual debt to MacIntyre for his contributions to our understanding of the dynamics and structure of social activities, and the crucial role of virtues and moral formation in the constitution of good social practices (MacIntyre 2007[1981]). While the present argument does not require us to specify the exact relation of financial trading to MacIntyrean practices, the general approach we take—namely, to examine financial trading as an enduring cooperative activity oriented toward specific ends, and regulated by its own standards of excellence—is broadly MacIntyrean in spirit. The tricky point is that financial trading is inserted within the architecture of financial services more generally, and services the ends of a multitude of human practices. Consequently, insofar as the goods that render it intelligible are in some cases *external* to the activity (for MacIntyre, a practice is a cooperative activity constituted by its own *internal* goods), it is not a straightforward matter to define financial trading as a MacIntyrean “practice” in the strict sense. It is, however, clearly a practice in the ordinary sense of a cooperative and purposeful human activity, maintained over time, and constituted by certain standards of success and failure. It is thus perfectly legitimate to assess its moral worth as a practice in this more everyday sense, without settling larger questions (questions undoubtedly worth exploring in another context) about the social ontology of the entire financial sector or mapping the complex relations between financial trading and MacIntyrean practices.

Finally, even if we concede that much financial activity, notwithstanding the intrinsic goods it ultimately serves, has a partial and instrumental character, it would be a serious error to assume that the financial system must furnish its participants with opportunities for and training in the exercise of the *full panoply* of human virtues. Like any specialized work environment, certain virtues will be emphasized more than others, and a person who seeks to grow in the full spectrum of virtue will probably have to complement her work with other social spheres such as family, athletic associations, volunteer associations, church groups, and

¹⁴ Indeed, as MacIntyre himself admits, the target of his argument is implicitly not only the financial trader, but the financial system as a whole. It is “the financial sector as a whole,” he insists, and not just trading, “that is from the Thomistic Aristotelian point of view a school of bad character” (2015, p. 12).

¹⁵ Defined by MacIntyre 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 [1981]: 187).

¹⁶ We are not denying that finance might count as a MacIntyrean practice, just insisting that (a) this is a claim that requires considerable argument to establish, and (b) it is not a claim we need to make in order to vindicate the ethical value of trading.

extra-professional friendships, in order to attain a rounded education in the virtues.

A historical exploration sheds light on the original meaning and purpose of finance. Neal (2015) retraces the history of finance back to its very first stages and observes that long-distance trade and long-lasting productive assets are what motivated the emergence of finance. Human progress and institutional evolution make this activity more complex, but do not alter its basic function of channeling resources from those who have monetary resources to those who have scarce means and good projects, through a loan given for a defined time slot in order to both obtain a revenue from the returns and realize a worthwhile project. The technical definition of finance is related to its functions: most authors agree in defining finance as the set of activities aimed at channeling savings to investments, mainly through managing risk and facilitating payments (among many others, see Greenwood and Scharfstein 2012; Samuelson and Nordhaus 2010).

In order to adequately grasp the basic purpose of finance, it is important to understand that finance came into being to make possible intergenerational projects that serve the well-being of persons and communities. Part of present-day finance is still aimed at the realization of long-term projects—e.g., providing a mortgage to buy a family home, borrowing to make it possible to go to college, securing funding for building a school, saving for a pension, making available easy and secure ways of making monetary transactions, and many other activities. From this perspective, each branch of finance acquires meaning only if viewed in light of the broader human purpose of finance. Someone who is just trading a security, without grasping its content and purpose, will likely become enslaved to technical ends divorced from their rational warrant, namely their potential contribution to worthwhile human projects. Someone, on the other hand, who practices finance as a project-realizing activity instead of exclusively as a money-making enterprise, could be eligible to live a worthy life, at least under the right conditions, as we suggest in the final section.

Admittedly, some sectors of finance are not directly linked to particular projects: the phenomenon of financialization involves the increasing role of financial markets and motives in the economy (Epstein 2005) and an increasing gap between financial transactions and the real economy (Freeman 2010). However, financialization implicitly betrays the true purpose of finance, which is clearly not the accumulation of wealth for its own sake. If there are no worthwhile projects at stake, for example projects that enhance the life of human communities, there is no need or justification for finance. So a finance not anchored in real projects, that genuinely contribute to the well-being of persons and communities, is no longer “finance,” properly speaking: it can be defined as a money-making activity, but it cannot be called *finance*.

In Defense of Financial Trading: Problematic But Not Irredeemable

Keeping in mind the broader purpose of finance, we are now better positioned to directly address the central question of this paper, namely, “Can a good person be an effective trader, and if so, under which conditions?” As we have seen before, MacIntyre advances plausible objections against the financial system, and his analysis of the relationship between the standard of the virtues and the standard of money in many respects accurately reflects trends in the modern global economy, especially in advanced, post-industrialized societies. However, even if MacIntyre is right about current tendencies, it does not necessarily follow that a virtuous agent cannot undertake financial trading successfully or, conversely, that a financial trader is precluded from practicing the human virtues.¹⁷ This is so for a number of reasons.

First, we should be careful not to identify all trading scenarios with the worst situations we can imagine. While we have considered numerous scenarios in which trading techniques are used to undermine justice and the common good, there are many instances of trading activities that, far from being abusive or unjust, support a thriving market and economy, and advance worthwhile projects that rely on the support of investors to get off the ground and remain solvent: for example, using financial trading strategies to protect against disadvantageous changes in prices when starting to build an infrastructure—such as a dike, a highway, or a bridge; buying the right of acquiring a certain good at a certain date to have the price of a final good fixed; or selling part of a company to increase investments. These and other examples of good use of trading techniques illustrate the far-reaching beneficial effects of responsible financial trading (and conversely suggest the potentially disastrous effects of irresponsible trading).

Indeed, as Shiller affirms, for a well-functioning financial system, “we need traders in the same way we need used furniture dealers and scrap metal dealers” (Shiller 2012, p. 58). Harris (2003) elucidates this statement from a technical point of view, explaining that financial traders play a critical role in: (a) discovering prices and making them more informative, i.e., making them reflect as much information as possible, thus facilitating informational transparency and reducing the vulnerability of investors to lies and manipulation concerning the value of potential or actual investments,

¹⁷ Adding “human” to virtue is not entirely redundant—it is meant to underscore the fact that we are concerned with virtues that pertain, properly speaking, to human beings, and not simply to financial operators, athletes, or some other person in his or her role-performing capacity. Virtue is, in this sense, an analogous and multivalent term, even though it has become far more “moralized” in English than the equivalent Greek term, *arete*.

and (b) making the market more liquid, that is, rendering the assets traded in that market more easily convertible into cash. In a liquid market, there are more buyers and sellers, making it harder to manipulate asset prices (Harris 2003). Although these market functions cannot justify reckless forms of speculation and price manipulation, they do provide a compelling rationale for other forms of financial trading, such as those described below.

- (a) Arbitrage, as we mentioned earlier, is the activity of buying and selling the same asset simultaneously on different markets, benefiting from the difference of the asset price. Arbitrage is harder in contemporary finance because machines detect this kind of price difference among different markets, so they directly execute this kind of trade, limiting the possibility for a “human” trader to exercise arbitrage-oriented financial trading. Nonetheless, even if performed by trading machines, the activity of arbitrageurs keeps the prices at a fair level, confirming O’Hara’s endorsement of arbitrage as highly beneficial for the economy if it is properly performed (O’Hara 2016): arbitrageurs are continuously monitoring if an asset is assuming a higher or lower price in different markets. In the end, arbitrageurs can detect and combat price manipulation.
- (b) Even speculators, if they act within a legal and ethical framework, have a legitimate role to play in the financial system. Speculation is the activity of performing high-risk financial transactions having on the one hand the possibility of big losses and on the other hand the possibility of huge gains. Speculation is obviously subject to reckless misuse, including taking disproportionate risks with a client’s money. Nonetheless, as Samuel Gregg argues, the “misuse of speculative techniques does not mean that the practice itself is evil” (Gregg 2016, p. 115).

Gregg advances several arguments in defense of financial speculation: first, Gregg rightly points out that every economic choice involves a degree of speculation, if by speculation we mean the assumption of a risk that cannot be exactly controlled. This shows that speculation is not different in kind to many ordinary financial transactions, without which the financial market could not function properly. This point brings home the fact that risk taking, i.e., committing capital or assets to projects in situations of incomplete information and uncertainty about the future performance of those projects, far from being exclusively the mark of reckless financiers, is an *ordinary and essential component* of any thriving economy and should only be condemned in case the risks assumed are disproportionate or involve some moral defect such as a clear conflict of interest between the trader and her client.

- Second, in answer to those who view speculation as unmerited or unwarranted economic gain, we agree with Gregg that other things being equal, the assumption of a risk typically does provide a justification for the receipt of a benefit in the event that the risk pays off—clearly, it would be unfair to expect a person who risks his assets on a project to incur large losses in the event that the project goes “south” but not benefit economically in the event that the project is successful. This qualified defense of speculation as a legitimate trading technique and an essential component of a healthy economy is given technical corroboration by authors such as Angel and McCabe, who explain that speculators “provide risk bearing capacity to the economy” (2009, p. 280), help in discovering and stabilizing prices, and help increase the level of production.
- (c) Agency traders are crucial for the functioning of a market economy. Agency traders act on behalf of a client and execute financial trades for him: they take care of each step of the trade, from the identification of the market to the actual execution and registration of the order. The reason for the existence of agency traders is twofold: on the one hand, not all those who have funds to circulate in the market have time and financial capability to profitably invest them; on the other hand, some markets require traders to be registered, so there is a need for a category of financial agents who act under license on behalf of savers and investors. In the end, without financial agents who act as agents for savers and funds owners, many current market transactions would never happen.

Before engaging with MacIntyre’s arguments in greater detail, let us briefly consider the charge that the financial market’s opacity fuels reckless forms of trading. Now, there is no denying that certain financial products are so opaque and complex that it is difficult to trade them in an open and transparent manner. Nonetheless, like speculation, opacity comes in different forms and degrees, so we should be careful not to assume that it is a univocal property of all financial transactions. The simplest of market transactions, such as the purchase of a bottle of milk, involves some degree of opacity, in the sense that I may have no easy way to reconstruct the history of the product I am buying or identify all of the individuals and companies involved in the chain of production. Nonetheless, if the nature of the product and identity of the seller is more or less clear to the buyer, then gaps in information about the production chain and other implicated parties may be tolerated and compensated for by a generalized trust in the market and more specifically trust in the integrity of the seller. Although in certain cases this trust may not be warranted, trust is nonetheless a basic precondition for a functional market, and opacity only presents a

moral difficulty if it reaches such a level that reliable assessments of risk are impossible, or the number and diversity of implicated parties undermines any reasonable basis for trust in the integrity of the asset or production chain.

There is a strong case to be made for reforming financial regulations to ensure some minimum level of transparency, but the problem of excessive opacity is not systematic enough, in our view, to warrant a wholesale condemnation of the financial market. Securitization is a process that clearly raises a serious problem of opacity. Securitization “occurs when a financial instrument, such as a simple home mortgage, is sliced and diced, repackaged, and then sold on securities markets” (Samuelson and Nordhaus 2010: 432). This process—heavily simplified by this definition but sufficiently descriptive for the purposes of our argument—involves many passages and actors, and the abuse of securitization has been pointed to as one of the main causes of the housing market collapse. Buchanan (2016) discusses the pros and cons of securitization as one of the components of increasing financialization. Her approach, like ours, is to begin by examining its historical path and the reason it came into existence in the first place. She goes as far as to affirm that there is “nothing inherently injudicious about the securitization process” (2016: 568) and that it serves the purpose of “reducing informational asymmetries, servicing as a lower cost of financing source, reducing regulatory capital, and reducing bank risk” (2016: 565). However, like other financial instruments and processes, securitization evidently can and has been used in greedy and dishonest ways, transforming it from a beneficial financial instrument to “good intentions gone amiss” (2016: 567).

Finally, it is worth mentioning “insider trading,” one of the most controversial applications of financial trading. The U.S. Security and Exchange Commission carefully distinguishes between an illegal form of insider trading—which is defined as the activity of buying or selling a security taking advantage of “material, non-public information” obtained because of a fiduciary duty or another kind of relationship of trust—and a legal form of insider trading, which regards corporate insiders who “buy and sell stock in their own companies. When corporate insiders trade in their own securities, they must report their trades to the SEC” (U.S. Security and Exchange Commission 2013). Smith and Block (2016) question the wisdom of regulations designed to curb insider trading, arguing that “the justifications for the regulation of insider trading are vague, incomplete and fallacious” (2016: 50) and that elite investors and regulators benefit from this regulation, while insider trading would rather improve price stability and a more efficient allocation of capital. This debate, whichever side you end up coming down on, is another good illustration of the need to get beyond generalist arguments about finance, and consider financial practices in a fully contextualized way, weighing their potential benefits

and harms, and taking into consideration the primary intentions and purposes of the agents involved.

So far we have considered a variety of forms of trading that support a dynamic investment market and do not implicate traders or investors in dubious forms of speculation, price manipulation, abuse of information, etc. MacIntyre might reply that even conceding the ethical soundness of a subset of trading activity, the “successful” trader, who leverages the market unscrupulously to his own advantage, is the dominant model of good trading. We would reply by pointing out that this conception of “success,” as the maximization of prestige and/or income, is a rather impoverished one, and need not be accepted at face value. There are broader metrics of professional success, especially if we accept that finance has broader human purposes. For example, one may accept an income substantially lower than that of one’s peers, or pass up economically lucrative trades, and still contribute through one’s trading activities to the support of valuable projects within the economy. One may take pride in the supportive role one is playing in the wider economy, and in the particular projects and communities one is supporting by channeling savings to investments.

A second point worth making in order to blunt the force of MacIntyre’s sweeping indictment of financial trading is the fact that not all trading firms necessarily embrace the same trading ethos or culture, and consequently, we must carefully distinguish between different financial environments or working conditions. Not all working conditions are equally corrupt or indeed equally susceptible to corruption. For example, some trading firms may require reckless or reward highly manipulative forms of trading, whereas others may permit or even encourage traders to exercise prudence and circumspection in their trading. For example, in the Standard of Practice Handbook of the CFA, a global association of financial professionals (CFA 2014, “Chartered Financial Analyst”), there is a section entitled “Loyalty, Prudence, and Care,” Standard III(A), in the context of the relationship with clients; the CFA certification is highly appreciated in financial companies hiring new employees, including financial traders.

Thirdly, even in cases where there exist significant incentives to engage in dubious trades, not all pressures to deviate from virtue are equally powerful or irresistible. For example, a virtuous agent has some realistic prospect of successfully resisting “soft” pressures, such as the threat of a loss of prestige among her peers, whereas “hard” pressures, such as the threat of unemployment or being blacklisted among future employers, may compel a virtuous agent to exit her role entirely, on pain of making a “pact with the devil,” and surrendering her commitment to the worthy life.

Fourth, any judicious normative assessment of a structured social practice must keep in mind that observed tendencies in personality, mindset, or behavior are not

necessarily representative or exemplary of the practice *at its best*. Indeed, it is perfectly possible that a large number, even a majority, of practitioners are incorrectly interpreting their role within this practice, or deeply misunderstanding the point of the practice they claim to be representing. Thus, habitual attitudes and behaviors (say, reckless risk taking) within a social practice are not necessarily authoritative or mandatory for participants; reasonable standards of professional excellence that track the purposes of the practice, even if only honored by a minority of practitioners, may nonetheless be authoritative from a normative standpoint and more accurately reflect the purpose of the practice than the behavior of a majority of its participants.

Environmental and Agential Conditions for Virtuous Trading

The points discussed in the previous section are already sufficient, in our view, to cast doubt upon MacIntyre's gloomy assessment of financial trading. This discussion highlighted some significant flaws in MacIntyre's case against the compatibility of financial trading with the human virtues. We now propose to further hone our ethical defense of trading, by inquiring *under precisely which environmental and agential conditions an agent might successfully exercise the role of the financial trader, notwithstanding its imperfections, and simultaneously live up to the standards of virtue*. Agential conditions refer to the preparedness of the *agent*—in this case, the trader—to enact his/her professional duties in a humanly admirable fashion, while *environmental* conditions refer to the tendency of the social and institutional context of trading—in particular the incentives, pressures, and obligations it imposes—to support rather than inhibit a virtuous life.¹⁸

¹⁸ This discussion complements the work done by Moore and Beadle (2006) in the parallel field of business ethics. The principal difference is that while we view the problem of ethical integrity primarily from the perspective of the moral agent, their study gives salience to the perspective of the business organization. Building on MacIntyre's account of a social practice, they explore the way a business organization could be virtuous, which for them means exploring under which conditions a business organization might be favorable to the sustenance and development of a practice in the way MacIntyre understands it. They identify three preconditions for an organization to be virtuous: the presence of virtuous agents, a mode of institutionalization that is "conducive" to sustaining and developing the practice that the institution houses, and a conducive environment. While they aim at describing the conditions for an organization to be virtuous, and their approach bears important structural similarities to ours, our inquiry is driven by the perspective of the agent—whether a good person can be a successful financial trader, and treats institutional and environmental conditions under a single category, namely that of environmental conditions.

Agential Conditions for Virtuous Trading: The Adaptive Virtuous Trader

To reiterate, our central question is, "Under which conditions, if any, can a financial trader effectively enact his role as a trader without abandoning his commitment to live a worthy life?" In this section, we consider the *agential* conditions presupposed by virtuous trading activity, in other words the preparedness of the trader to enact his professional responsibilities with integrity, even in a scenario, all too familiar to most of us, in which external incentives and pressures toward virtue are mixed with incentives and pressures toward vice. In this ethically ambivalent environment, only particular types of character have a fighting chance of resisting the temptations of diluting the quest for virtue to either maximize the tokens of professional "success," conceived quite narrowly, e.g., monetary gain or the esteem of peers, or avoid the potential losses and penalties, whether material or reputational, triggered by virtuous behavior in financial trading. A trader capable of persevering in virtue in the face of these sorts of temptations, and framing his professional activity against the backdrop of the long-range, big picture goals of trading, would exhibit the following four characteristics:

- (a) He is *excellent as a trader*: a necessary, albeit insufficient condition for being a virtuous trader is possessing practical, executable knowledge about financial trading, being familiar with its purposes and knowing how to apply its techniques successfully.
- (b) He is a *person of integrity*, that is, a person who exhibits "a wholehearted, responsible, and stable commitment to integrate his desires, activities and projects into a meaningful and worthy life" (Thunder 2014, p. 18) and, concomitantly, a steadfast commitment to avoid accepting "double standards" or rationalizing unethical behavior for "special" circumstances or social contexts.¹⁹
- (c) He is disposed and able to engage in *responsible adaptation*: he adapts to the rules of the game in a critical and selective spirit, harnessing them to his or her own legitimate purposes and to the larger projects his activi-

¹⁹ This positive definition is entirely consistent with MacIntyre's more negative definition: "To have integrity," on MacIntyre's view, "is to refuse to be, to have educated oneself so that one is no longer able to be, one kind of person in one social context, while quite another in other contexts. It is to have set inflexible limits to one's adaptability to the roles that one may be called upon to play" (MacIntyre 2006: 192). While Thunder's definition addresses the positive effort of an agent striving to live a worthy life, MacIntyre focuses his attention on the effort needed in order to avoid becoming a compartmentalized person.

ties are nested within, without capitulating to vice or seeking monetary gain as an end in itself. *Responsible adaptation*, insofar as it prioritizes the requirements of virtue and the common goods of implicated communities, might very well result in lower profits, a reduced range of investment choice, and a narrower portfolio, when compared with ruthless or uncritical adaptation. However, this would be a price worth paying for the preservation of integrity and justice in all one's dealings. Responsible adaptation to the trading environment is equally opposed to uncritical conformism, which surrenders blindly to the dictates of "the system," and rigid perfectionism, which cannot tolerate the inevitable failure of persons and institutions to be free from technical and moral limitations.

- (d) He is disposed, insofar as it lies within his power, to improve the ethical tone of the institutional and social environment within which he works, by promoting more effective regulations, building associations of responsible traders, supporting ethically sound mentoring programs, or employing whatever other strategies he deems appropriate.²⁰ Since this is an imperfect duty or an open-ended responsibility, it relies upon a general commitment to promote sound financial practices, which requires prudential judgments about how best to do so, rather than upon adherence to preexisting, clear-cut obligations and prohibitions.²¹

To sum up, these four features, (a) technical competence, (b) personal integrity, (c) capacity for responsible adaptation, and (d) willingness to promote appropriate institutional and cultural reforms of one's work environment, are the distinguishing marks of the "adaptive virtuous trader."

Environmental Conditions for Virtuous Trading: A Tolerable Work Environment

Let us now turn to the environmental conditions presupposed by virtuous trading activity. Even the agent who achieves heroic levels of virtue may, if deprived of certain environmental supports, find it impossible to continue exerting her role as a trader without capitulating to vice and corruption. Thus, certain baseline environmental—by which we mean both social and institutional—conditions must hold if an agent is to exercise her role as a trader in an ethically

responsible manner. It is important to make a point here that is sometimes given short shrift in MacIntyre's analysis, namely that the level of friendliness of financial institutions to virtue may vary considerably across a financial system. For example, trading for a company that is collectively committed to policies of sustainable development and community-friendly investment would not be the same as trading for a company that is only interested in the "bottom line."

In order to respect the fact of environmental variation, instead of discussing the entire financial sector as a homogeneous environment, we consider instead the quality of the unique work environment confronted by each financial trader. A work environment may be entirely irreconcilable with virtue if virtue is aggressively rooted out by superiors or penalized so harshly that nobody could realistically hope to exercise it in their work life. A work environment is rarely optimally attuned to the exercise of virtue, but it may be considered *tolerable* if workers can find opportunities within it to advance worthwhile projects and exercise the virtues, and if they are not positively coerced into acting viciously or cooperating with gravely unjust ends. We deliberately set the threshold of the "tolerable" quite low in order to show that even if we accept MacIntyre's rather negative assessment of the broad tendencies at work in the financial sector, it need not follow that traders (or other financial operators, for that matter) are generally condemned to a life of vice or that financial trading is generally irreconcilable with the exercise of virtue.

There is no need to dwell on the possibility of an absolutely virtue-friendly work environment, since we concede MacIntyre's premise that many financial work environments are, in important respects, unfriendly to virtue. Nor need we dwell for long on a work scenario that is radically hostile to virtue, imprisoning, ejecting, or bankrupting those who display virtuous behavior, since this clearly rules out the pursuit of virtue in financial trading. We would like to dwell instead on the rather more mundane scenario of the *tolerable* work environment that raises serious challenges for virtuous agents but does not automatically obligate them to live a life of vice. Our own observations and discussions with financial operators suggest that this sort of environment could plausibly reflect many trading scenarios. While this claim could obviously be strengthened by further empirical corroboration, it relies on a more nuanced picture of the financial world than MacIntyre's and is consistent with a wider range of plausible trading scenarios than MacIntyre's approach.

In the "tolerable" work environment as we conceive it:

- (a) "Soft" incentives (social approval, prestige, income level), even if aligned with vice, can be resisted without losing the minimum amount of income necessary to support oneself and one's dependents, or rendering one's work environment intolerable (e.g., through con-

²⁰ See Herzog (2017) for a helpful discussion of some of these strategies, though oriented to the banking sector rather than to trading specifically.

²¹ This is something like what Iris Young (2011) would call a "forward-looking" responsibility to remedy systemic harms irrespective of their precise causes, as distinct, for example, from a responsibility to remedy a past wrong for which one is personally culpable.

- stant harassment, regular public humiliation, and other forms of abuse).
- (b) Morally problematic professional requirements can be resisted, negotiated, or interpreted “creatively” to achieve greater congruence with the common good, without automatically triggering expulsion or job loss.
 - (c) Complicity in serious systemic injustices is accidental to the primary purpose and benefits of one’s trading activities and does not rise to the level of formal cooperation²² or consent.
 - (d) Superiors, managers, and other authority figures are disposed at a minimum to *tolerate* virtuous trading behavior and attitudes, even if this behavior is not typical of other traders or partners in the firm, and even if it is frowned upon by superiors.

We contend, pace MacIntyre, that it is realistic to envisage an adaptive virtuous trader maintaining his or her ethical integrity in a tolerable work environment, because the adaptive virtuous trader knows how to interpret and apply the rules of the system to advance his goals, yet also has the virtues necessary in order to orient his financial activities toward genuine human goods, and where necessary, to resist soft pressures toward vice and corruption. We acknowledge that not all work environments are “tolerable,” since there are undoubtedly work environments in which virtuous traders are actively persecuted, harassed, intimidated, or fired. But it seems implausible to suggest that financial environments generally or in virtually all cases embody this extreme level of hostility to virtue.

Conclusions

Taking as our starting point the cases of Bruno Iksil and Kwedu Adoboli, we have presented a sympathetic summary of MacIntyre’s argument that the moral character of the virtuous agent and the skills required to be an effective trader in the current financial system are mutually exclusive, and we have undertaken a closer assessment of MacIntyre’s claims. In spite of the manifest vicious tendencies at play in many parts of the financial sector, MacIntyre assumes without sufficient argument that financial environments are *generally and consistently* evil or corrupt. The conditions of financial trading are likely to be more complex and varied than this approach suggests. We suggest that many work environments in the financial sector, in spite of their moral

deficiencies, are likely to be “tolerable,” or minimally permissive of virtue, although we admit that this intuitively plausible claim could be strengthened by further empirical corroboration. Nonetheless, it seems to us, on its face, more plausible than MacIntyre’s sweeping, and no more empirically substantiated claim that financial activity is, as a general rule, inconsistent with the exercise of virtue. Finally, we have suggested that a tolerable work environment will only produce virtuous trading to the extent that it is occupied by *adaptive virtuous agents*, viz. traders who know how to exercise their roles competently, adapting as necessary to systemic requirements, but always in a critical and responsible manner, moved by virtues such as justice, generosity, and prudence, prepared to promote appropriate ethical reforms of their working environment, and sensitive to the personal and common goods that are at stake in their decisions.

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Compliance with Ethical Standards

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²² The term “cooperation” (with evil or injustice) indicates “an action that facilitates the execution of an evil design that another person has” (Colom and Rodríguez Luño 2014, p. 361). If it is “willed directly or through free initiative, and as such implies an approval of the other’s action” (p. 362), it is defined as “formal cooperation.”

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