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Amorality and Banking

Dysfunctional Conscience as Additional Explanation

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"Who is without sin cast the first stone." – The Bible (John 8:7)

§1 Introduction

This is one of the last sentences in the highly controversial and disruptive book *Swimming with Sharks*[1] (2015) by the Dutch anthropologist and investigative journalist Joris Luyendijk. If nothing else, it characterizes the current state of the public debate about the issue of morality in the global banking sector. Consensus has been reached about what exactly happened during the 2008 financial crisis and its aftermath.[2] There is less agreement, however, on who should be blamed for the destructive events. According to a commonly held view among bankers, it seems as if everyone had a part to play in the build-up of the events – not just bankers but also politicians, financial regulators and even ordinary citizens. Bankers may be portrayed as scapegoats but since we all kept dancing while the music was playing[3], at least some leniency is permitted.

Luyendijk partly endorses this argument when he claims the stigmatization of bankers as 'greedy bastards' is misguided. Instead of targeting bankers as morally corrupt individuals, one should look at the system of banking as a whole. He argues the banking sector is subject to influences from an amoral system, in which bankers internalize behavior that does not include any moral considerations. In a world of zero job security, for instance, bankers tend to lose empathy for their colleagues and clients. Knowing this, it becomes clear how the sale of high-risk, complex financial products like subprime mortgages was perceived to be permissible.

Yet, the existence of an amoral system is only one way of looking at the lack of morality in the banking sector. In this essay, I claim that the lack of morality can additionally be explained by way of dysfunctional conscience on an *individual* level. Dysfunctional conscience can roughly be defined as lacking the ability to reflect on one's own behavior and judge whether it is morally permissible or not. A key aspect of a dysfunctional conscience is low moral self-awareness. Low moral self-awareness implies a high degree of moral disengagement, which should be perceived as a psychological mechanism that results in a person's disengagement with his or her moral considerations. Applying this mechanism of moral disengagement to the practices described by Luyendijk (2015), I will argue that bankers are prone to exhibit poor moral self-awareness. This in turn indicates the conscience of individual bankers to be dysfunctional as moral self-awareness is indispensable to a well-functioning conscience.[4] Thus, besides systemic amoral factors, the lack of morality in the banking sector can also be explained by individual dysfunctional conscience. Admittedly, both explanations interact and overlap to some degree, but it is nevertheless useful for the participants in the debate – and especially policy makers involved in the reform of the financial sector – to identify both systemic and individual causes of amorality.

The essay is structured as follows. In section two, I briefly summarize and endorse Luyendijk's argument for the banking sector as an amoral system. Section three explains what is meant by having a dysfunctional conscience using a Kantian conception. The fourth section elaborates on the process of moral disengagement, relating actual behavior of bankers to different aspects of this process. Section five concludes.

§2 Banking as an amoral system

The main conclusion from Luyendijk's book (2015) is that the banking sector is an amoral system. That is, the collection of institutional rules, practices and norms within the financial industry encourages its participants to ignore moral considerations. Ethical terms such as 'good' and 'bad' do not enter into personal deliberations at all, nor can they constrain the behavior of the people who operate in this moral-free zone. An amoral system does not require its participants to act according to any ethical standard – be it political, professional, religious or what have you. Instead, it completely ignores moral commitments *as such*, supposing one is operating in an ethical vacuum.

This situation is aptly sketched by Rainer Voss, a former German investment banker, when he explains how the concept of maximizing shareholder value[5] facilitates an amoral mindset: "Management does not care whether market conditions have changed, temporarily or structurally. They demand a ten percent revenue growth, every year – *I don't care how you do it*" (Bauder, 2013). Thus, the only criterion that is taken into account in the course of these practices is whether bankers achieve some specific goal, thereby ignoring any moral considerations that might be involved.

In the case of the banking sector, Luyendijk (2015) raises several factors that contribute to the existence of an amoral system.[6] One important factor is the principle of *caveat emptor*, which roughly translates as 'buyer beware'. In our context, this principle holds that the client who buys a financial product is ultimately responsible for the consequences that derive from the transaction. Clients are assumed to be reasonably informed about what it is they are buying, which shifts the burden of moral responsibility away from the seller and towards the buyer. This allows bankers to disregard the ethical aspects of transactions because they assume their counterparties are fully aware of the transactions' good or bad aspects. As a result, bankers tend to institutionalize amoral behavior through a principle that operates in the financial system as a whole.

Another systemic factor that incentivizes amoral behavior is the banking sector's erratic hire and fire culture. This practice entails that bankers may be fired immediately and on the spot, for a variety of reasons: a banker could be unproductive compared to his colleagues, engaged in a non-lucrative business sector, or be victim of a regularly initiated layoff. The point is that bankers hardly have any job security, which feeds an amoral logic of engaging in activities that are strictly profitable, but may be morally reprehensible.[7] Moreover, questions about the moral permissibility of layoffs are irrelevant as most considerations are primarily based on competitiveness and profit.

At the same time though, sacked bankers have a good chance of being rehired by a different bank. In addition to forced layoffs, many employees in the banking sector quit their job voluntarily in search of higher compensation elsewhere.[8] This aspect of the hire-and-fire culture raises loyalty issues that suggests uncommitted employees are less likely to take the interests of their clients into serious consideration. As a banker, if changing jobs is relatively easy and the prospect of being sacked is ever present, then there is little reason to uphold any moral principles towards other parties – including colleagues and the bank itself – because you simply have no incentive to do so.

Amorality is, however, a double-edged sword. Although there are, strictly speaking, no moral standards in an amoral system like the banking sector, bankers are still constrained by at least one kind of morality: the law. The fact that there are hardly any moral standards to adhere to within a specific system, does not automatically mean one is allowed to transgress the moral standards within that system. In other words, the near absence of morality does not justify *im*moral behavior. Assuming that a counterparty has full information about a transaction plausibly lacks proper moral considerations. It is not, however, an immoral assumption. That is, bankers do not intentionally try to break the law, whereby they would engage in explicit immoral behavior.

Importantly, immorality presupposes the presence and knowledge of moral standards, and whenever a person does not adhere to these moral standards he or she can be said to behave immorally. For instance, a banker who is told to increase company revenue by whatever means necessary would still refrain from illegal activities, as these are deemed to be immoral. The issue of amorality versus immorality was raised by many bankers that Luyendijk interviewed: "Profit is indeed the only criterion, not how you make it. Yet you have to act according to the law. After all, our organizational principle is amoral, not immoral" (Luyendijk 2015, p. 91).

Here, the legal system acts as an explicit moral standard that clearly indicates which activities are morally permissible and which are not. Yet, arguably, this standard is rather rudimentary and porous. As Luyendijk shows in his book, there is a large range of banking activities that are perfectly legal (i.e. not immoral) but still have reprehensible consequences from a broader, moral point of view (amoral).[9] Despite the fact that immorality suggests the existence of (at least one kind of) morality, a system like the banking sector can nevertheless be characterized as amoral because the connotation of immorality relates in this case to a legal framework that merely functions as a fundament of morality. There are, in short, ample incentives for bankers to behave amorally without engaging in immoral behavior.

§3 Conscience and its functionality

So far, I have endorsed the argument for the existence of systematic amoral factors within the banking sector. This amoral system is significantly different from an immoral one, and this is an important insight since participants in the debate too often unjustly refer to the latter. It is clear that bankers are exposed to, and have to a substantial degree institutionalized systemic amoral principles and practices.

However, amorality in the banking sector cannot be solely attributed to systemic factors. In addition, the banking sector exhibits similarities with the characteristics of a dysfunctional conscience brought about on an individual level. This claim requires a different approach, for it focuses on developing an explanation in the domain of individual moral psychology. To substantiate this claim, I will draw on two specific accounts in the moral philosophy and moral psychology literature. The first account is primarily used to conceptualize dysfunctional conscience, while the second illustrates how and to what extent the concept of dysfunctional conscience is applicable to actual practices in the banking sector.

To explain what a dysfunctional conscience means in general, I will refer to the Kantian conception of conscience elaborated by Marijana Vujošević (2014).[10] According to this conception, "conscience is the capacity of moral self-appraisal that triggers certain emotional responses" (Vujošević 2014, p. 3). Conscience is not the sensual disposition to feel comfortable or uncomfortable in case of some moral or immoral act, respectively. Rather, it is the ability to reflect on one's own behavior and judge whether it is morally permissible or not. To clarify his conception, Kant involves two qualifications of conscience, which will be explained in turn.

The first qualification is related to a kind of moral self-awareness. This primarily entails reflection upon one's own behavior, which stimulates feelings of comfort and discomfort. For Kant, being aware of the consequences of your actions is necessary to distinguish between morally appropriate ends and merely self-seeking ends. The former would trigger feelings of comfort as behavior is in line with our moral knowledge of right and wrong, while the latter could (but not necessarily has to) lead to feelings of discomfort, depending on the situation and the degree of selfish interests. This way, certain moral maxims are developed which constrain self-seeking ends and help to adopt moral ends. Without the ability to develop these moral maxims we would be amoral egoists, unable to realize that moral ends are applicable to us. Thus, by way of self-awareness and reflection, a well-functioning conscience makes us responsive to our moral knowledge and capable of self-constraint.

It is important to note that the qualification of conscience in terms of moral self-awareness is not the source of knowledge about what we consider to be right and wrong; rather, it presupposes this ethical knowledge. Put differently, without a properly functioning conscience we would still know which kinds of behavior are right and wrong *hypothetically*, but we would not have the ability to become aware of whether our *actual* behavior is morally permissible. A person with a dysfunctional conscience could be perfectly able to point out moral dilemmas and distinguish moral from immoral behavior in specific situations, but only when these situations are of a hypothetical nature. When reflecting on one's own behavior, however, a person's low degree of self-awareness prohibits the development of genuine moral judgment.

The second qualification of conscience is the presence of an inner judge that assesses the moral permissibility of certain behavior. To have a well-functioning conscience is to be in a position to judge whether one can be held accountable for the behavior in question. In effect, conscience does not only "stimulate moral feelings; it also triggers feelings of guilt or relief" (Vujošević 2014, p. 4). So, conscience directly supplies us with appropriate emotional responses to the moral aspects of our behavior. According to Vujošević, moral feelings are a manifestation of moral judgment, and the former can therefore be taken as evidence for the presence of the latter.

Judging the rightness or wrongness of behavior helps to develop moral maxims that can be used to assess past behavior. Yet, conscience also assesses the judgement formation process itself. In other words, by making moral judgments, we not only judge the moral aspects of our behavior but we also examine the relevant psychological conditions – such as personal values, interests, prejudices, etc. – that influence our judging capabilities *as such*. For instance, through this process we would be made aware "of some morally unacceptable incentives for our actions, or obstacles we have to avoid if we are to form morally correct maxims" (Vujošević 2014, p. 5). According to the second qualification of conscience offered by Kant, the ability to assess our judgment-formation process is necessary for behaving morally. As opposed to accepting certain behavior based on mere *legal* grounds, we have to be genuinely convinced our behavior has a *moral* foundation.

The two qualifications of conscience emphasize the importance of self-awareness, ethical knowledge and self-reflective moral judgment. It has become clear that the first qualification is most important for conscience to function properly, because it is moral self-awareness that enables the capacity for self-reflective moral judgment. Thus, according to Kant, moral self-awareness is a necessary condition for a well-functioning conscience.

The question now is how moral self-awareness is influenced so as to make conscience dysfunctional. One plausible answer is formulated by Frank Hindriks (2014), who claims a person's self-awareness is inversely related to his or her tendency to moral disengagement. Put differently, a high degree of moral disengagement implies poor self-awareness. When this is the case, a low level of self-awareness will lead to a dysfunctional conscience, since the former is an indispensable part of the latter. Figure 1 sketches the relationships of these concepts with regard to conscience. The next section will elaborate on the crucial aspect of this framework, namely the causal factors underlying moral disengagement and their resemblance with actual practices by bankers.

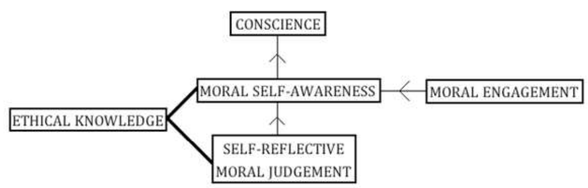

Figure 1: The relationships between conscience, ethical knowledge, moral self-awareness, self-reflective moral judgment and moral engagement. The arrows reflect a causal relationship, while the thick lines imply something is presupposed. The two qualifications of conscience, namely moral self-awareness and self-reflective moral judgment, both presuppose ethical knowledge. Together they constitute a well-functioning conscience. Moral engagement, however, implies moral self-awareness, which in turn contributes to a well-functioning conscience.

§4 The process of moral disengagement

Now that the conceptualization of dysfunctional conscience has been clarified, I will turn to the process of moral disengagement. The aim of this section is twofold. First, I will briefly explain the causal mechanism that underlies moral disengagement. Secondly, and most importantly, I will show to what extent the practices within the banking sector are similar to the factors that contribute to moral disengagement. Once it is established that bankers are prone to moral disengagement, it will become clear that banking lacks morality due to individual dysfunctional conscience.

In the context of moral psychology, the process of moral disengagement is primarily based on the study of actual behavior. In contrast to the metaphysical account by Vujošević (2014), the expression of dysfunctional conscience through the process of moral disengagement has a more concrete foundation. This allows one to apply the described practices in the banking sector directly to the moral disengagement mechanism, since the practices are sufficiently concrete to be used as evidence for the existence of moral disengagement. Therefore, I will go through the different causal factors of the mechanism one by one, in each case emphasizing the resemblance between some particular practices described by Luyendijk (2015) on the one hand, and a specific causal factor of moral disengagement on the other hand.

Originally developed by Albert Bandura (1986), the mechanism of moral disengagement was subsequently used in his paper *Mechanisms of Moral Disengagement in the Exercise of Moral Agency* (Bandura 1996). This mechanism entails the moral self-sanctions of behavior that are selectively activated and disengaged from, and collectively form a self-regulatory process. The essence of this mechanism is that a person disengages from moral self-sanctions due to a range of different psychological factors. According to Bandura, these include four distinct factors: reconstruction of behavior, distortion of personal responsibility, misrepresentation of consequences and dehumanization of recipients.

Reconstruction of behavior

First of all, with regard to moral justification certain behavior is reconstructed so as to appear morally acceptable. People try to portray their behavior in a more favorable manner, often according to some social value or moral standard. One way of doing this is through euphemistic language, which "provides a convenient tool for masking reprehensible activities or even conferring a respectable status upon them" (Bandura 1996, p. 365). Consequently, the moral implications of behavior are effectively mitigated and the actor believes to be relieved of any wrongdoing.

Moreover, behavior can also be morally justified by placing it in an advantageous comparison with an even more reprehensible kind of practice. This way, the behavior in question is rendered to be of little significance or might even come out as the more favorable option. The larger the contrast of the comparison, the more likely it is that the person is to justify his or her own behavior, as well as the behavior of people who engage in similar activities.

Moral justification through the reconstruction of reprehensible behavior is the most effective factor in the process of moral disengagement, because it not only disengages a person from reprehensible behavior but it also transforms the morally censurable into an active source of self-appreciation. As will be shown below, the banking sector is rife with practices that show strong resemblance with this factor of moral disengagement.

For example, the notion of 'enhanced severance' is actually a euphemistic expression of a type of blackmail, commonly used during layoffs. In Luyendijk (2015), a human resource employee describes how a bank would pay their sacked employees many times more than the normal rate, in exchange for which they would not sue the bank for any reprehensible activities. Another example is 'legacy issues', a term often used by the bank's management to refer to actions by traders that wrongly try to cultivate an extremely successful reputation, but the term actually includes the many scandals that have recently surfaced, such as the LIBOR[11] fraud and cases of rogue trading.[12] A final example is the 'regulatory and law enforcement matters', short for fines related to money laundering by banks. Despite the obvious reprehensible nature of these practices, they are reconstructed according to euphemistic terminology and, in effect, portrayed as neutral, morally permissible activities.

With regard to advantageous comparisons, some of the dubious practices in the banking sector are compared to outright objectionable behavior so as to make the moral controversies of the former appear less significant. For instance, the amoral, but legal practice of 'revenue responsibility' – that is, every banker having the obligation to generate some predetermined amount of revenue – is compared with cases of rogue trading. It is tempting to focus one's attention towards the 'rotten apples', thereby disregarding the moral considerations that are clearly inherent to both practices. By stressing that rogue traders are exceptions to, rather than characteristic of the integrity of bankers in general, the direction of reasoning is reversed: instead of questioning the morality of their behavior, bankers blur their lack of morality by contrasting their behavior with cases of obvious immorality.

Distortion of personal responsibility

The second factor in the mechanism of moral disengagement relates to the distortion of personal responsibility. People disengage from self-sanctions when they do not, or only partly acknowledge their responsibility for reprehensible behavior. This could take place in both the displacement and diffusion of responsibility. Under displacement of responsibility, "people view their actions as springing from the social pressure or dictates of others rather than as something for which they are personally responsible" (Bandura 1996, p. 365). When people believe they cannot be held accountable for their actions, their psychological self-sanctioning processes will not be activated. As a result, behavior they might normally condemn on moral grounds is now deemed acceptable.

Additionally, personal responsibility can also be distorted by the diffusion of responsibility. The division of labor within an organization naturally leads to a diffusion of responsibility because highly subdivided activities have relatively little overall responsibility. People that perform one specific task in a large organization do not genuinely feel a burden of responsibility because they perceive the lion's share of responsibility to lie somewhere else. This aspect might seem harmless when taken per separate activity, but can become destructive in its totality because no one acknowledges full responsibility for the performed actions.

Both the displacement and diffusion of personal responsibility is prevalent in the banking sector. Most significant is the displacement of responsibility in the hands of external parties. Supervisory authorities and government institutions are easy targets in this regard, as they impose regulations that indicate the legal boundaries for banker to operate in. Since these are taken to be the absolute standards of morally acceptable behavior, any harmful consequences are directly attributed to the originators of the regulations. One of the 'Master-of-the-Universe'[13] type of banker that Luyendijk introduces, was firmly convinced the 2008 financial crash could not be blamed on the banking sector, nor on the banks and their employees. Instead, he considered the crash to be "a perfect storm, owing to market-disrupting policies by politicians and especially the incompetence of insurer AIG"[14] (Luyendijk 2015, p. 153).

Furthermore, due to its highly hierarchal structure, individual bankers tend to diffuse the responsibility of their actions over higher management levels. Importantly, the relationship between the consequences of behavior and personal responsibility are not properly aligned. That is, the hierarchal structure is actually turned upside down: "the people who can cause serious damage [in terms of selling incomprehensible financial products] are at the bottom of the chain of command" (Bauder 2013). Thus, bankers tend to distort personal responsibility by diffusing it to other people *within* the banking sector as well.

Misrepresentation of consequences

Thirdly, the process of moral disengagement often includes the misrepresentation of consequences. When people pursue activities that can potentially be harmful to others, or have done so in the past, they are inclined to misrepresent the consequences of their actions. In the case of previous reprehensible behavior, people "readily recall prior information given to them about the potential benefits of the behavior, but are less able to remember its harmful effect" (Bandura 1996, p. 365). So there is a bias towards the positive aspects of certain behavior, while the negative aspects are largely ignored. In addition, people tend to actively discredit the evidence of their detrimental behavior. Even if harmful effects are taken into consideration, people do not sufficiently acknowledge them due to the questionable nature of the evidence that has led to the consequences.

The banker that embodied the 'Master-of-the-Universe' mentality, was also highly skilled in the art of misrepresenting the consequences of his own behavior. Somewhat predictably, he claimed his job to be "useful, legal and of vital importance to the economy [...]" (Luyendijk 2015, p. 151). Be that as it may, his statement does not address the consequences of amorality in the banking sector at all. Rather, he emphasizes the supposed benefits of the work bankers are involved in, and completely ignores the harmful effects that have resulted (or may result) from this kind of business.

Moreover, many individual bankers commented on the original blog posts[15] that most of the negative aspects of their profession were aired by ex-bankers, or by employees who presumably had no authority over these matters. From this, they argued the purported amoral aspects of their behavior were merely a form of 'banker bashing' and should therefore not be taken seriously. Although it is true that those who spoke out about morally reprehensible behavior were often no longer employed in the banking sector, they were by no means the only ones who did so. For instance, our Master-of-the-Universe banker is illustrative of individuals who considered themselves to be of the "happy" sort, in stark contrast to their "miserable" counterparts (Luyendijk 2015, p. 153) – where "miserable" refers to the ex-bankers who had lost their jobs and therefore developed a grudge against their former employer and colleagues, while the "happy" ones are those who have continued their banking careers without such envy.

Dehumanization of recipients

Finally, the dehumanization of recipients contributes to the process of moral disengagement by depicting the people who are subject to the consequences of certain behavior as insufficiently human. That is, actors of potentially harmful behavior do not view their actions to be as such, or only to a significantly lesser degree, because they perceive their recipients to lack human qualities, like cognitive ability. Once dehumanized, recipients "are no longer viewed as persons with feelings, hopes and concerns, but as subhuman objects" (Bandura 1996, p. 366). Due to the inhuman nature of recipients, morally reprehensible behavior is effectively detached from the self-censuring processes.

A key feature of the dehumanization process is the attribution of blame upon the victims of reprehensible behavior. Victims are blamed for bringing the negative consequences on themselves due to their lack of one or more human qualities. This way, questions of responsibility and guilt are skewed towards the recipients, and the roles of instigator and victim are turned around: the original actors of reprehensible behavior now see themselves as the victims of the consequences of that same behavior. In other words, the instigator is victimized through the fallout of his dealings with the recipient.

To illustrate this last point, let us go back the principle of *caveat emptor*. Given that the buyer of a financial product is ultimately responsible for any of the consequences that derive from the transaction, blame for negative effects such as losses must not be attributed to bankers, but to their clients. By law, all information about a financial product is disclosed, so the client ought to be aware of the risks of the transaction. In case of severe losses or outright bankruptcy, the buyers of the financial products that have led to these unfortunate results can be held accountable. Thus, instead of a systemic amoral feature, *caveat emptor* is actually an expression of moral disengagement through the attribution of blame to people other than oneself.

In the process of dehumanization, arguing that bankers are to blame for the financial malaise is to victimize the wrong party. Since clients are assumed to know what they are buying, they can be considered to possess certain cognitive abilities. Arguments that question this assumption indicate that clients lack sufficient cognitive ability in order to be viewed as proper humans. Although this sounds quite radical, a particular practice in the banking sector actually confirms this line of reasoning. Greg Smith, who wrote the disruptive article *Why I am Leaving Goldman Sachs* (2012), vividly described why clients of his bank were called 'muppets':

> Integrity? It is eroding. I don't know of any illegal behavior, but will people [bankers] push the envelope and pitch lucrative and complicated products to clients even if they are not the simplest investments or the ones most directly aligned with the client's goals? Absolutely. Every day, in fact. (Smith 2012)

Notice how bankers – at least at one leading investment bank – deliberately try to sell complex financial products to their clients. They can do so for two simple reasons: one, it is completely legal; and second, *caveat emptor*. Consequently, it is the client's responsibility to judge the moral aspects of transactions, i.e. whether it is 'good' to engage in a particular transaction. A client's failure to conform to this principle has led to criticism *towards bankers*, which is perceived to be misdirected from the latter's point of view. It is, however, this form of victimization that is in fact unjustified, for it is primarily based on the dehumanization of recipients.

§5 Conclusion

In this essay, I have argued in favor of an additional explanation for the lack of morality in the banking sector. In addition to the existence of an amoral system, banking exhibits the effects of dysfunctional conscience on an individual level. According to the Kantian conception, a conscience is dysfunctional when it lacks proper moral self-awareness. In turn, poor moral self-awareness implies a high degree of moral disengagement. The application of Bandura's mechanisms of moral disengagement (1996) to actual behavior by bankers described by Luyendijk (2015) has shown how bankers are prone to the reconstruction of behavior, distortion of personal responsibility, misrepresentation of consequences and dehumanization of recipients. This evidence suggests that bankers tend to exhibit amoral behavior brought about by a dysfunctional conscience.

This conclusion should not be viewed as a substitute for, but rather as complementary to the argument that the banking sector is amoral. As I have argued, the banking sector can be characterized as amoral due to the dysfunctional conscience of at least some of the individuals whose behavior was described by Luyendijk (2015). This does not mean, of course, that all bankers can be accused of being amoral. While I have endorsed Luyendijk's claims about the amoral aspects of the banking sector as a system, I have claimed that this phenomenon can be further understood by looking at the psychological processes of individuals as well. The aim of this essay has been to enrich to the current (public) debate about morality and banking by way of taking a different point of view: instead of solely focusing on the *systemic* factors, regulators and other policy makers should also consider the *individual* aspects that contribute to a lack of morality in the banking sector.

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Notes

1. The original Dutch version of this book was published with the title '*Dit kan niet waar zijn*', which was used for this essay. Throughout the essay, I will draw on different examples of practices used by bankers that were described in this particular book. Although the book was written for the general public to be able to understand the problems related to morality in the banking sector, it accurately and quite objectively describes the morally controversial practices over the course of two years by way of more than two hundred interviews. Luyendijk interviewed a wide range of people who had either worked or were still working in the City, London's financial district. They mostly included bankers who were active in investment divisions, but also employees of insurance companies and regulatory institutions. Here I follow Luyendijk in taking this selection of interviews to be representative of the *global* banking sector since the operations mentioned above often take place internationally. As Luyendijk emphasizes, what I call the global banking sector is actually an intricate web of financial institutions that are highly integrated and mutually dependent. For this reason, practices that take place in the investment banking branch are likely to have significant effects on the operations of other kinds of institutions, such as insurance and retail banking.

2. For an early description of the crisis and potential policies, see Blanchard (2008); for a later and more detailed account, see Hancock & Zahawi (2011) for instance.

3. This metaphorical phrasing refers to the famous quote by Charles Prince, former CEO of Citigroup: "As long as the music is playing, you've got to get up and dance." (2007). This means that despite signs of instability in financial markets, banks (and indirectly the public at large) had to continue their operations because of the simple fact that their competitors were also doing so.

4. To emphasize, I do not claim that all bankers – roughly including those active in the fields of investment banking, insurance and financial supervision – exhibit a dysfunctional conscience. Rather, the evidence from moral philosophy and moral psychology referred to in this essay indicates that at least the bankers who are involved in the practices described by Luyendijk (2015) tend to exhibit behavior brought about by a dysfunctional conscience.

5. Maximizing shareholder value is one of the cornerstones of modern capitalism, in which companies ought to maximize the value of their shares that are traded publicly. The reaso-

ning behind this concept is that shareholders are the ultimate owners of a company, who should be compensated for the risks they are taking accordingly.

6. For the sake of clarity, I do not claim the existence of an amoral system in the banking sector to be unique; of course, there may be other business sectors that exhibit systemic amoral characteristics as well. Here I limit the discussion to the banking sector, leaving other possible cases of amoral systems aside for subsequent studies.

7. Although the lack of job security mostly applies to the situation in the City, its implications range much wider. Even if bankers enjoy relatively more job security in other countries – take the less flexible labor contracts in The Netherlands, for example – knowing that their British or American colleagues are operating within an extremely competitive system does not take away the amoral logic. For if they want to compete with these Anglo-Saxon type of banks they are forced to adopt a similar attitude, and engage in the same kinds of harmful activities.

8. Some recent developments in the global banking sector suggest that it is becoming *more* difficult for bankers to be rehired, let alone to obtain higher compensation at a different bank. One survey (2012) shows, for example, that between 2008 and 2012 more than 120.000 bankers have lost their job. Moreover, many American and European banks are currently forced to cut costs (i.e. jobs) due to a range of economic conditions. Most of the redundancies, however, apply to administrative and other low-end positions. At the same time, the Financial Times (2016) has recently reported that bonuses are back at their pre-crisis levels, which implies that the situation of investment bankers and other high-end personnel has remained very lucrative in terms of job prospects and compensation.

9. Some of these activities will be discussed in section IV.

10. For this purpose, she uses the *Cambridge Edition of the Works of Immanuel Kant* (1992). Despite the fact that her paper specifically addresses the dysfunctional conscience of psychopaths, the main aspect of this conception provides an appropriate framework for explaining the lack of morality among bankers – without going as far as to claim all bankers are psychopaths, of course. The reason for relying on this particular account is that it emphasizes the distinction between legally and morally correct actions, which closely relates to Luyendijk's difference between immoral and amoral behavior.

11. The London Interbank Offered Rate (LIBOR) is a benchmark interest rate for lending between banks. It has been manipulated several times in the past few years by employees from a range of different banks, many of the investigations leading to substantial fines and even criminal convictions.

12. A foremost example is the 'London Whale', a JPMorgan Chase trader who personally lost over six billion US dollars by deliberately covering up his high-risk investments. Besides the immoral character (i.e. violation of the law) of both the LIBOR and London Whale cases, the fact that they are often formulated euphemistically suggests the moral disengagement through the reconstruction of reprehensible behavior.

13. A loose term used to characterize the complacent, snobbish type of banker that is often encountered in investment banking divisions at large (international) banks. Luyendijk also illustrates other loosely defined type of bankers, such as 'Neutrals' and 'Delusional Bankers'.

14. American International Group (AIG) is a multinational insurance corporation that had to be bailed out by the US Federal Reserve Bank during the financial crisis.

15. These formed the input for Luyendijk's book (2015) and can be found on: http://www.theguardian.com/commentisfree/joris-luyendijk-banking-blog

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