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The Scientific Review of *Ethics and Responsibility in Finance*
by Prof. Paul H. Dembinski

Bibliographical information

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Information about the author

Prof. Paul H. Dembinski is the Head of the Institute of International Strategy and Competition in Fribourg (Switzerland), the Head of the Observatoire de la Finance (the Swiss non-profit think-tank in Geneva), and the expert (OECD, UNCTAD). He also edits the journal "Finance & the Common Good". His scientific *curriculum vitae* focuses on the research on ethics and finance, interpenetration of ethics and finance and mutual relations between ethics and finance.

The most recognizable publications by Prof. Dembinski are: *Ethics and Responsibility in Finance*, Routledge, London and New York 2017 (also published in French, German and Polish); *Beyond the Financial Crisis: Towards a Christian Perspective for Action*, (co-author) – Caritas in Veritate Foundation, Geneva 2014 (also published in Polish); *Trust & Ethics in Finance*, (co-editor) – Globethics, Geneva 2012; *The Role of Large Enterprises in Democracy and Society* (ed.), Palgrave Macmillan, London 2010; *Pratiques financières, regards chrétiens* (ed.), Desclée de Brouwer, Paris 2009 (in French only); *Finance: Servant or Deceiver? Financialization at the Crossroads*, Palgrave Macmillan, London 2009 (also published in French, Spanish and Polish); *Enron and the World of Finance – a Case Study in Ethics* (ed.), Palgrave, London 2005; *Les PME en Suisse. Profils et défis*, Georg, Geneva 2004 and Rüegger, Zurich 2004 (in French only); *Economic and Financial Globalization: What the Numbers Say*, United Nations, New York and Geneva 2003 (also published in French); *La privatisation en Europe de l'Est*, Presses Universitaires de France, Paris 1995 (in French only); *Economie et Finances*, BPS, Berne 1995 (published in French, Italian and German); *The Logic of the Planned Economy*, Clarendon Press, Oxford 1991 (also published in French); *Finanse po zawale. Od euforii finansowej do gospodarczego ładu*, Studio EMKA, Warsaw 2011 (in Polish).

Prof. Dembinski is one of the organizers of the international competition Ethics & Trust in Finance Prize which is an opportunity for young professionals, scientists, and students to share opinions on the ideas concerning the practical application of ethics to the world of finance. The competition has its Polish edition organized by the Polish Bank Association.

The late publications of Prof. Dembinski referred to global financial crisis, its consequences for global economy in connection with ethics and the place of ethics both before the crisis and after the crisis in the financial sector. The volume in question, *Ethics and Responsibility in Finance*, is a turning point for the author as far as the development and the use of ethics in everyday practice of the functioning of a banking sector are concerned.

The presentation of the key theses and the structure of the book

In the book, the author makes a complex analysis of the role of ethics in the financial sector. Moreover, a thorough analysis of the role of implementation of ethics in the financial sector is made. There is the presentation of the ethical dilemmas which may appear in the participants of the financial market. In the first chapter of the book the author makes an attempt to identify the reasons – both structural and cyclic – for which ethics ought to be the element constituting the financial market.

Later, the author presents the definitions of key concepts and notions such as ethics, finance, responsibility. The definitions form the basis for further consideration. While defining finance, the author refers to the ideas of Pierre-Noël Giraud who indicated that finance was just the trade of promises. While presenting the definition of ethics, the author refers to the ideas of Paul Ricoeur who dealt with the notion of applied ethics.

The initial point for the consideration on ethics is the idea that ethics is the aspiration to fulfil expectations in all the dimensions – both in the sense for the individual and for the social fulfillment (for others). The application of such a model of the definition of ethics has its consequences on aspirations and tasks which are assigned for the financial sector and imply the way of the evaluation of the participants on the market.

The author presents the definition of responsibility and divides it from ethics. Responsibility, as distinct from ethics, can be evaluated through the prism of the intention of the author, the awareness of the potential consequences and the scale of the loss. In the last part of the second chapter, the author familiarizes the reader with the authorial approach made by the Observatory of Finance in Geneva. It is the tool for evaluation of the alternative for economic and financial actions in the categories of ethics. It is the set of four notions one needs to take into account: the responsibility of the actor for their own economic efficiency, the care for legal acts and rules, the care for the real quality of the deed, the care for the impact for the third party. In the next three chapters, the author presents possible ethical dilemmas and their implications and, at the same time, makes the distinction for particular participants of the financial market: the owners of the funds, the users of the funds, the financial brokers.

The last chapter constitutes the attempt to present the recommendation for the society, for the participants of the financial turnover, for states and citizens. The recommendations concern how to manage the ethical dilemmas and how to strengthen ethics in the financial sector. Among recommendations one may find: the need to limit aspirations and expectations, the strengthening of the personal relations between the financial brokers and their clients which are based on partnership. Moreover, there is the recommendation to simplify the way the world of finance works, to reform the process of education in the scope of finance, to change the approach towards science and research and, last but not least, to seriously treat ethics and not to marginalize its role as one of the objectives of activity.

Critical analysis

The reviewed book is a new complex scientific study on the role of ethics in the financial sector, which takes into account conditions present on the financial market. The theses, indicating the role of the financial crisis and its first causes in the “great euphoria of the 70s of the 20th century”, form the updated revision of the theses formulated by Dembinski in *Finanse po zawale. Od euforii finansowej do gospodarczego ładu*¹. The theses are justified in many scientific papers and commentaries by economists, politicians and philosophers. It is indicated that the lack of ethics, the quest for the profit and excessive consumerism caused the global crisis on the financial market².

The author claims that there are two key processes – globalization and financialization – which play an important role nowadays. Financialization is a process which determines the directions of the development of the financial international relations. It is the notion observed at the beginning of the 21st century. Gerald A. Epstein defines the financialization as a growing influence of financial motivation, actors and financial participants on action and operations of domestic and international economy. The visible aspect of financialization is significant, even unpredictable, growth of transactions on the international market and the growth of the amount of money in the international cycle.

In the years 1973–1995, the turnover on a global financial market grew eighty times, in the decade 1995–2005 – 150 times³. In 2013, financial markets formed almost 380% of global GDP (gross domestic product)⁴. One needs to emphasize that the turnover and income of the banks and the financial institutions increased significantly. The development of the banking sector led to the situation in which the turnover of the banking sector exceeded the GDP of a state. In 1964, in the United Kingdom, the joint financial balance of the banking sector was 35%, while with the development of the banking sector – in 2007 – the amount of the joint financial balance was 500%⁵.

One needs to notice that the author, while analyzing the ethical dilemmas of the users of the funds, underlines the distinction of the actions and motivations

¹ See: P.H. Dembinski, *Finanse po zawale. Od euforii finansowej do gospodarczego ładu*, Warszawa 2011.

² See: The website of Annales Online, <http://www.annaesonline.uni.lodz.pl>, Archiwum Szulczewski [access:10.09.2017]. Compare: The website of Obserwator Finansowy, <http://www.obserwatorfinansowy.pl>, *Etyka fundamentem rozwoju nie tylko od święta* [access: 1.09.2017].

³ J. Bilski, M. Janicka, T. Miziołek, *Międzynarodowy system finansowy*, Łódź 2016, pp. 8–9.

⁴ E. Chrabonszczewska, *Ryzyko globalizacji banków*, Warszawa 2016, p. 33.

⁵ J. Bilski, M. Janicka, T. Miziołek, *op. cit.*, p. 9.

not only those of a natural person but the ones of entrepreneurs and public entities as well. Discussions about the obligations of states and motivations which ought to be the rule for the decision-makers in terms of financial commitment are still taking place.

One of the initiators of the debate on the international arena is the United Nations Conference on Trade and Development (UNCTAD) which makes research and analyses connected with liabilities of the states, reduction of the liability and the notion of state bankruptcy⁶. The theses and expectations as to the rational decision-making process, taking into account the interest of citizens, the feeling of responsibility for the incurred debts, which are later on paid off by the citizens, and a due information obligation were pointed *expressis verbis* in a document published by UNCTAD entitled *Principles on Promoting Responsible Sovereign Lending and Borrowing*⁷.

The discussion about the role of ethics in the financial sector after a global crisis strengthened, more and more people pay attention to the role of ethics in the formation of stability of the sector. There is a necessity to come back to the roots – basic ethical principles which are timeless. Furthermore, it is necessary to build the banking sector based on trust.

There is an ongoing discussion in the field of science and law. More and more professionals pay even greater attention to ethical rules, basic values and human rights. The results of the debate are visible at the international level, e.g. in the document of the United Nations: *Guiding Principles on Business and Human Rights: Implementing the UN “Protect, Respect and Remedy” Framework*⁸ and at the domestic level – in the *National Action Plan for the Implementation of the United Nations Guiding Principles on Business and Human Rights 2017–2020*⁹. They are also part of some legal acts, e.g. the Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (Text with EEA relevance)¹⁰.

The above-mentioned documents reveal the strong interest in ethics, responsibility as well as in strengthening the ethical pattern among the participants of

⁶ See: The website of UCTAD, <http://unctad.org>, *Sovereign Debt Portal* [access: 9.09.2017].

⁷ See: The website of UCTAD, <http://unctad.org>, *Publications. Library* [access: 9.09.2017].

⁸ See: The website of Friedrich Ebert Stiftung, <http://www.feswar.org.pl>, *Wytyczne ONZ* [access: 5.09.2017].

⁹ See: The website of the Ministry for Development, <https://www.mr.gov.pl/>, BHR Poland [access: 6.09.2017].

¹⁰ See: The website of the National Chamber of Statutory Auditors, <http://www.pibr.org.pl>, *Dziennik Urzędowy UE*, L 2014, Nr 330, p. 1 [access: 19.08.2017].

the turnover on the financial market. *Ethics and Responsibility in Finance* constitutes an excellent basis for the identification of ethical problems, the role of ethics and the possibility to introduce the changes in the financial sector while incorporating the ethical dimension into the banking sector.

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