



# Global Faculty Initiative

**The Faculty Initiative  
seeks to promote the integration  
of Christian faith and academic disciplines  
by bringing theologians into conversation with scholars  
across the spectrum of faculties  
in research universities  
worldwide.**

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Preview Response

## **WAS THE 2008 FINANCIAL CRISIS A COLLAPSE OF VIRTUE?**

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This is a very informative and stimulating outline of the argument, and I look forward to the full version to follow, which may address some of the following comments and queries.

Professor Herdt writes: 'Virtue ethics helps us to think holistically about how groups, institutions such as universities, and practices form character and in turn are formed by the character of the people who constitute them.' For a social scientist, this is a key proposition, but the preview does not yet extend to how this works in practice. Much of the discussion focuses attention on the formation of virtuous character of persons, and on how persons can develop the virtues. Can a virtuous person be 'corrupted' and become less virtuous? Can there be a 'virtuous institution' or is such an institution just a community of virtuous people?

Why does this matter? There is now an extensive literature which explores the moral framework that is needed for the functioning of the market economy. The standard ethical framework of economics is utilitarian, which has loosely been interpreted as related to the virtue of prudence. It is widely accepted by thoughtful economists that this is not enough to sustain well-functioning markets. Without temperance and justice, and possibly hope and love, the trust that is needed for market economies to flourish is likely to be absent. There is for example a large literature on the 2008 financial crisis that identifies the crisis as attributable to a collapse of virtuous behaviour in financial markets as much as any technical failures in the structure and functioning of the markets. At the very least, the virtue of temperance was notably absent from those operating in the markets!

There is a parallel literature which explores whether markets are conducive to the formation of virtuous agents, or whether markets as currently constituted in the advanced capitalist economies are actually corrosive of virtue. Returning to the example of the financial crisis, the suggestion is that it was the introduction of incentive schemes linking remuneration to profit that undermined the moral code that had previously underpinned the functioning of financial markets in the City of London. There is even a suggestion that the emphasis on incentives in the standard presentations of economic behaviour in economics departments and business schools has eroded the virtuous character of a new generation of

economic actors involved in running corporations.

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