

Seeking Virtue in Finance

Since the Global Financial Crisis, a surge of interest in the use of finance as a tool to address social and economic problems suggests the potential for a generational shift in how the finance industry operates and is perceived. JC de Swaan seeks to channel the forces of well-intentioned finance professionals to improve finance from within and help restore its focus on serving society. Drawing from inspiring individuals in the field, de Swaan proposes a framework for pursuing a viable career in finance while benefiting society and upholding humanistic values. In doing so, he challenges traditional concepts of success in the industry. This will also engage readers outside of finance who are concerned about the industry's impact on society.

JC DE SWAAN is a lecturer in the economics department at Princeton University, where he is affiliated with the Bendheim Center for Finance, and a partner at Cornwall Capital, a New York-based investment fund. He also teaches at the University of Cambridge and is a member of the Council on Foreign Relations.

Advance Praise for *Seeking Virtue in Finance*

“In his unique and important book, JC de Swaan applies Aristotle’s virtue ethics to modern finance. The result is a highly sophisticated account of how the finance industry contributes both good and ill to the economy and society. De Swaan knows the evidence, and presents it with care, objectivity, and moral purpose – to help make modern finance a force for good in the world. Kudos for a major contribution to the debate on reforming business for the common good.”

Jeffrey D. Sachs, University Professor at Columbia University, and Director of the United Nations Sustainable Development Solutions Network

“The words ‘virtue’ and ‘finance’ do not often appear in the same sentence – unless there is a negative in between them. Finance has earned its bad name. This remarkably original book points would-be financiers in a starkly different direction. Through both general principles and specific examples, JC de Swaan shows how the twain can – and should – meet, how the financial industry can become more virtuous and contribute more to society. Every Wall Street executive should read this book.”

Alan S. Blinder, Gordon S. Rentschler Memorial Professor of Economics and Public Affairs, Princeton University

“JC de Swaan applies the concept of mindfulness to the untilled field of finance in his new book *Seeking Virtue in Finance*. De Swaan deconstructs the complexity and opacity of the financial industry, laying bare the conflicting and often self-serving incentives that motivate many of its professionals. In doing so, he provides a vocabulary and framework for the next generation of well-intentioned financial leaders to be able to better assess and navigate their way through the industry and advance the common good.”

*Janet Cowell, CEO,
Girls Who Invest*

“I’ve been waiting a long time for someone to write this book, and it couldn’t come at a better time. JC de Swaan examines how finance careers can be more socially responsible and the industry can add more value to the world. He makes a convincing case that people and companies don’t need to be ruthless to be successful.”

*Adam Grant, New York Times bestselling
author of Originals and Give and Take,
and host of the chart-topping TED podcast WorkLife*

“In today’s world, it has become all too common for individuals to believe that markets and competition are inconsistent with humanistic values. In *Seeking Virtue in Finance*, JC de Swaan demonstrates how finance professionals can successfully operate within the industry to improve the collective interests of society through moral character, practical wisdom, and moderation. In doing so, financial professions not only make us better off – they make us better.”

*Arthur C. Brooks, author of Love Your Enemies; President
Emeritus, American Enterprise Institute; and Professor of
Practice, Harvard Kennedy School, and Faculty Fellow,
Harvard Business School*

“A thoughtful book at a very appropriate time. Can the worlds of finance also be worlds of societal good? JC de Swaan explores this idea in a considered but provocative way. Definitely an important read, especially for leaders of financial firms and leaders of financial functions – as well as younger people considering such careers.”

*D. Ronald Daniel, former Managing Partner,
McKinsey & Company*

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Contributing to Society in a Conflicted Industry

JC de Swaan
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PREFACE

One moment [this] herd of graduates of the nation's best universities are young people . . . with young people's ideals and hopes to live a meaningful life. The next they are essentially old people, at work gaming ratings companies, and designing securities to fail so they might make a killing off the investors they dupe into buying them, and rigging various markets at the expense of the wider society, and encouraging all sorts of people to do stuff with their capital and their companies that they never should do.¹

Michael Lewis

This book is written for my students. Many of them intend to pursue a career in finance but are concerned about being corrupted the minute they walk into their first job, be it at an investment bank, hedge fund, or other financial institution. The fundamental question I seek to address is how, given the existing structures and set of incentives in the finance industry, a finance professional can pursue a viable career while benefiting society and upholding humanistic values. To do so, I shine a light on remarkable individuals in the industry, to inform what a self-interested yet virtuous path in finance might look like, and to counter the daily onslaught of stories about badly behaving, self-serving finance professionals. The insights I developed from researching these issues, debating them with my students, and writing this book apply just as much to me, having been involved in the industry for some time, as to my audience.

I recognize that individual behavior is largely driven by incentives which, in turn, are shaped by market forces and regulation. Yet, the surge of interest in the use of finance as a tool to address social and

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economic problems, particularly among students and young professionals, suggests the potential for a generational shift in the approach to finance. This book seeks to channel the forces of well-intentioned finance professionals to improve finance from within and help restore its focus on serving society. Its ultimate aspiration is to make a modest contribution to the debate about how to advance society via finance.