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Oaths and Codes in Economics and Business— Introducing the Special Issue

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The Dutch banking sector responded relatively quickly when the financial crisis hit the country. Only 2 months after the defining moment of the crisis, the dramatic collapse of Lehman Brothers on 15 September 2008, the Netherlands Bankers Association (NVB) set up an Advisory Committee on the Future of Banks in the Netherlands. Chaired by Cees Maas, a former financial director of ING Group, a Dutch financial services conglomerate, the Committee's key task was to develop a set of recommendations on how to restore trust in the banking sector.

Six months later, the Committee published a brief yet surprisingly concrete set of suggestions concerning corporate governance and shareholders, risk management and executive remuneration, its findings being directed both to the sector itself and to the regulatory and supervisory authorities. Ambitiously entitled *Restoring Trust* (2009), the report draws profound inspiration from the Dutch Corporate Governance code, refers extensively to work by the Institute of International Finance (Committee on Market Best Practices 2007) and has benefited from similar European Union initiatives such as the de Larossière group report (High-level Group 2009).

But the report has also greatly influenced later initiatives. *Restoring Trust* lies at the basis of the Banking Code, published in September 2009 by NVB, which has gone into effect as a code of conduct under Dutch civil law since January 2010. As a form of industry self-regulation sanctioned by the Dutch Government, it applies to any bank or bank subsidiary operating in the Netherlands, including insurance companies (to the extent that they offer banking services) and foreign banks such as the Royal Bank of Scotland.

The Dutch Banking Code would not have attracted much attention from national and international media, however, if it had not contained a surprising novelty.

Closely following the suggestions contained in *Restoring Trust*, the Advisory Committee's report, the Banking Code stipulates that every member of the executive board of any bank or bank subsidiary operating in the Netherlands has to sign a "declaration of moral and ethical conduct". This declaration was quickly dubbed the Banker's Oath or the Hippocratic Oath for Bankers. The text contained in the Banking Code sets a minimum requirement which banks are free to supplement. It requires bank executives to sign the declaration, but contains a condition that the spirit of the Banker's Oath has to be translated into principles for all bank employees. Since January 2013, the Banker's Oath has become mandatory for executive and supervisory board members; moreover, it now applies not only to banks, but also to a significantly larger class of financial services providers. The Dutch Government is contemplating extending the oath to all employees, and has also suggested that disciplinary councils will have to be set up to sanction violations of the oath. This is the formal English translation of the text:

I declare that I will perform my duties as a banker with integrity and care. I will carefully consider all the interests involved in the bank, i.e. those of the clients, the shareholders, the employees and the society in which the bank operates. I will give paramount importance to the client's interests and inform the client to the best of my ability. I will comply with the laws, regulations and codes of conduct applicable to me as a banker. I will observe secrecy in respect of matters entrusted to me. I will not abuse my banking knowledge. I will act in an open and assessable manner and I know my responsibility towards society. I will endeavour to maintain and promote confidence in the banking sector. In this way, I will uphold the reputation of the banking profession.

This is not the first oath to have been employed in business. Two Harvard Business School graduates presented an oath for Masters of Business Administration (MBAs) in their 2010 bestselling *The MBA Oath: Setting a Higher Standard for Business Leaders* (Anderson and Esscher 2010) and launched a website where individuals can sign the oath online. The oath is constructed around such values as integrity, truthfulness, sustainability, accountability, respect for shareholders, co-workers, customers and society at large, and stresses the importance of curbing the pursuit of self-interest. A very different sort of oath was proposed by economist George DeMartino in *The Economist's Oath: On the Need for and Content of Professional Economic Ethics* (2011). DeMartino is primarily concerned with problems he discerns in the way economics is used in policy-making and consultancy. Although the MBA Oath focuses on traditional corporate social responsibility themes, the Economist's Oath addresses themes from economic methodology and social justice. Economists swearing the oath declare that "economics is and will forever be an imperfect science" full of uncertainty, imprecision and inconsistent or incompatible theories; they pledge to acknowl-

edge that economic policies always “bear unequally on a community’s members” as a result of which they may lead to “oppression, inequality and injustice”.

A similar suggestion was put forward in 2004 by Sir Richard Sykes, former chairman of Glaxo SmithKline and rector of Imperial College, London, during the launch of a 2004 Tomorrow’s Company report on *Restoring Trust: Investment in the 21st Century* (Ringshaw 2004). At a 2010 seminar on the Future of Scotland’s Banking, Building Society and Financial Services Sector, Angus Tulloch and David Gait proposed a professional oath for asset managers. Various finance professionals have developed the Banking and Finance Oath in Australia, and the Financial Hippocratic Oath in the USA.

In stark contrast to the literature on corporate codes of ethics, surprisingly little research exists on oaths in business. In April 2012, the *Review of Social Economy* and the Faculty of Economics and Business of the University of Groningen, The Netherlands, organized a conference on Oaths and Codes in Economics and Business. Professors John Boatright (Loyola University Chicago) and George DeMartino (University of Denver) were invited as keynote speakers. The aim of the conference was to put the theme of professional oaths on the research agenda by examining oaths from a variety of methodological perspectives. The present special issue brings together some of the papers contributed to this conference.

In “Swearing to be Virtuous: The Prospects of a Banker’s Oath”, John Boatright argues that to examine the prospects of an oath for bankers, two issues need to be addressed. One is an empirical question about the degree to which oaths in general can serve as effective forms of business ethics management. Another is a question about the particular wording of the Dutch Banker’s Oath. Boatright argues that because banking, unlike medicine, does not have a singular focus on service, a Banker’s Oath is unlikely to fulfil a function similar to the Hippocratic Oath in medicine.

In the second article, “Epistemic Aspects of Economic Practice and the Insufficiency of Codes of Conduct in Economics”, George DeMartino continues an argument from his monograph *The Economist’s Oath*. Unlike the Dutch Banker’s Oath, DeMartino’s oath for economists focuses on epistemic issues. Rather than prescribing and proscribing particular forms of behaviour, DeMartino deals with the way economists ought to apply their knowledge to policy-making.

Vincent Blok’s article “The Power of Speech Acts: Reflections on a Performative Concept of Ethical Oaths in Economics and Business” provides an analysis of oaths based on the writings of the French philosopher Emmanuel Levinas. Blok is primarily concerned with what he calls the “structural infelicity” inherent in any oath, that is, the tension between swearing an oath and living up to it, and emphasizes the importance of an ongoing conversation about the content of the oath.

In “Principles as ‘Rules of Thumb’: A Particularist Approach to Codes of Ethics and an Analysis of the Dutch Banking Code,” Bastiaan van der Linden takes what he calls a “particularist” stance towards the question of how oaths improve ethical behaviour. Particularists argue against the importance of ethical principles as rules strictly prescribing or proscribing ethical behaviour, seeing them rather as rules of thumb which help people to recall important normative reasons for action.

In addition to a Levinasian and particularist approach to oaths, Thaddeus Metz finds inspiration in communitarian thought. “The Ethics of Swearing: The Implications of Moral Theories for Oath-Breaking in Economic Contexts” sheds light on the issue of why a failure to live up to an oath one has sworn is a more serious matter—or “extra wrong”—than a failure to discharge a mere promise.

“Will the Phoenix Fly Again? Reflections on the Efficacy of Oaths as Means to Secure Honesty,” finally, combines historical, conceptual and empirical methods to answer the question of whether oaths can be effective forms of business ethics management. Mark Rutgers starts from the historical observation that oaths have long been distrusted as ways to ensure moral behaviour, but interprets recent empirical work as suggesting that, under certain conditions, oaths may nonetheless acquire an ethical binding force.

The call for papers for the conference on Oaths and Codes in Economics and Business elicited proposals from many scholars, and we would like to thank them all for their interest in the topic. We believe that this issue draws together a highly interesting and relevant collection of work on oaths in business which will inspire other scholars to work on the topic.

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