

## **CURRENT SCHOLARSHIP**

# **Ethical Finance as a Systemic Challenge: Risk, Culture, and Structure**

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This Article analyzes the principal themes in the newly reinvigorated public debate on the role of ethical norms and cultural factors in financial markets and identifies its key conceptual and normative limitations. It argues that the principal flaw in that debate is that it tends to ignore the critical role of systemic, structural factors in shaping individual firms' internal cultural norms and attitudes toward legitimate business conduct. Reversing the causality assumption underlying the current academic and policy discourse on institutional culture, the Article discusses how broader reform measures seeking to alter the fundamental structure and dynamics of the financial market-on a macro- rather than micro- level-would profoundly, and far more effectively, alter individuals' and firms' normative choices and attitudes. The key to making finance ethically sound, therefore, is to make it structurally sound – and to do so on a systemic level.

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