

## Long Abstract

### Ethical Banks – Professional Biography and taking critical distance in ethical Banking and Finance

For the 4<sup>th</sup> International Conference on Degrowth for Ecological Sustainability and Social Equity, under the thematic thread “Building a social and ecological economy” I would like to present first empirical findings in researching ethical banks from a sociological perspective.

The observation that ethical banking has experienced rapid growth since the beginning of the global economic and financial crisis in 2007 serves as a point of departure for the following thoughts. Although, compared to conventional banking, the market share of ethical banking is rather low, alternative banks have been increasing their visibility and their public perception. Ethical banks distinguish themselves from conventional banks by operating along certain criteria and principles which are laid down by themselves. These are based not solely on economic profit-orientation but which are also rooted in social, ecological, or denominational values. Specific criteria have prevented ethical banks from entanglement in speculative and derivative financial market activities. The global financial and economic crisis has therefore not had a negative impact on ethical banks.

This is why ethical banks are becoming models for a banking system working differently. Their success is reflected in an increasing number of investors and clients. Since 2008, positive reactions by clients towards ethical or alternative banking have been observed. For instance, strong growth in balance sheet total and other central indicators can be observed, especially during the continuation of the crisis. In concrete terms, a large German ethical universal bank has scored a growth rate of more than 20 percent in 2008, whereas conventional banks have, on the whole, suffered from negative growth.

Based on these observations, it is, from a sociologist perspective, interesting to ask how actors in ethical banks are given space or opportunity to develop their normative control performance or how their reflexive potentials restrict banking, e.g., in conflict situations.

This actor-based approach is based on the assumption that a regulation of capitalism cannot be guaranteed by external institutions alone (i.e., the Basel-legislation). Rather, the normative action-orientation of actors themselves is a prerequisite for closing regulatory gaps in finance<sup>1</sup> and for creating social order in modern, differentiated societies by means of “normative integration”.<sup>2</sup> It is the social practices, legitimations and justifications of the actors

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1 . STREECK, Wolfgang: Wirtschaft und Moral: Facetten eines unvermeidlichen Themas. In: MPIfG (Hg.). Moralische Voraussetzungen und Grenzen wirtschaftlichen Handelns, S. 8–19, p. 18.

themselves, then, which are at the center of attention and which could contribute to embedding finance in the social realm<sup>3</sup>.

This presentation on critical competences of actors, as they have been examined in Boltanski's and Thévenot's *On Justification*, scrutinizes the moral-cultural dimension as a prerequisite for an ethic renewal of finance and banking.

This theoretical approach is particularly revealing due to the specifics of its actor concept. Not only do institutions depend on acceptance and consent of the actors involved but they can also be challenged. Actors' criticism thus plays a significant role in creating institutional change. Boltanski and Thévenot assume that *moments critiques* (critical moments) are characterized by a reflexive realization that "something is going wrong". The actions resulting from this realization are characterized by a strong inward reflexive move as well as concrete action in the outward world. This process includes "tak[ing] a distance from the present moment and to turn backwards towards the past"<sup>4</sup>

The investigation of critical competences in ethical banking can be particularly revealing when we ask for the biographical developments which have led to criticizing conventional banking or which have led to employment in ethical banking. In short, the questions are: What are the conditions of critical reflection? And how can they be reconstructed with the help of professional biographies of actors in ethical banking?

To give an answer to these questions, three cases (from semi-structured interviews) of actors in ethical banking are presented. The single cases are then analyzed, taking into account sociocultural dispositions, professional-biographical developments, and the specific forms of criticism. It is of marked interest that these persons have already turned from conventional to ethical banking. Due to the relative novelty of the segment, this is frequently the case. The characteristics of the different forms of criticism are understood as historically rooted forms of criticism which condense into the interviewees' biographies.

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POLANYI, Karl: *The Great Transformation. Politische und ökonomische Ursprünge von Gesellschaften und Wirtschaftssystemen.* Frankfurt (Main) 1995.

4 BOLTANSKI, Luc/THÉVENOT, Laurent: *The Sociology of Critical Capacity.* In: *European Journal of Social Theory* 2(3); p. 360.

Finally, historical dependence and the distinction between artistic critique and social critique, as introduced by Boltanski's and Chiapello's *The New Spirit of Capitalism*<sup>5</sup>, are related to the cases presented. Not least, the waves of criticism which transform and shape capitalism and the basis of its legitimization are included in research on ethical banks.

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<sup>5</sup> BOLTANSKI, Luc/CHIAPELLO, Ève: Der neue Geist des Kapitalismus. Konstanz (2003).