Weapons of Mass Destruction

Financial Crises from a Philosophical Perspective

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Thesis submitted for the Degree of Doctor of Philosophy in Practical Philosophy, to be publicly defended, by due permission of dean of the Faculty of Arts at the University of Gothenburg, on December 1, 2022, at 1:15 pm, in J222, Humanisten, Renströmsgatan 6, Gothenburg. Faculty opponent: Lisa Herzog.

UNIVERSITY OF GOTHENBURG

Abstract

Title: Weapons of Mass Destruction. Financial Crises from a Philosophical Perspective.
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Language: English
ISBN 978-91-7963-121-5 (printed)
ISBN 978-91-7963-122-2 (pdf)
ISSN 0283-2380
Keywords: Financial crisis, externality, risk ethics, collective action, collective responsibility, Minsky, financial ethics

Financial crises are severely destructive events. The Global Financial Crisis of 2008 sent sovereign states into a spiral of political unrest and caused millions of people to lose their homes, their jobs, their life savings, their health, and in many cases even their lives. But financial crises are not unavoidable natural events. They are the consequences of intentional human behaviour. To be more precise, they are unfortunate side-effects of everyday financial practices. If these practices are not carefully monitored and reined in, they can, in words borrowed from Warren Buffet, become "weapons of mass destruction".

This thesis is an attempt at an interdisciplinary investigation of financial crises. It combines arguments from normative ethics, political philosophy, economics and law in order to discuss three questions at the heart of the public debate on financial crises: "Who is responsible for bringing about financial crises?"; "What precisely is wrong with practices that contribute to the risk of financial crises?", and "What can be done to mitigate the risk of financial crises?"

A few key insights offered in this thesis are as follows: First, financial crises do not emerge because of the misbehaviour and greed of a few "bad apples", rather, they are the result of "business as usual" within financial markets. Second, there are strong reasons for states to regulate financial markets heavily in order to prevent severe harm. Third, there are few good reasons to believe that consumers can be held morally responsible for contributing to financial crises.