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Spis treści

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Ethical requirements in the light of the constructivist methodology

The principle of objectivity occurs in a number of ethical codes of conduct established by polish financial institutions. “Zasady Dobrej Praktyki Bankowej”, the code of conduct set up by the union of banks that operate in Poland (Związek Banków Polskich) formulate a demand of objectivity when conflict among a bank and its client occurs[2]. In a similar vein, in accordance with the third chapter, the employees of the banking institutions are obliged to deliver true (i.e. objective) information to their customers[3]. Moreover, “Kodeks Dobrych Praktyk Inwestorów Instytucjonalnych”[4], the ethical code of conduct established by the Board of Funds and Asset Managers (Izba Zarządzających Aktywami i Finansami) oblige financial institutions to act independently and objectively on behalf of their clients.

In this article, I aim at arguing in favour of the thesis that the above described ethical principles are impossible to be fulfilled. The hitherto literature on ethics in finance focuses on the cases of misconducts due to selfish reasons that motivate employees of financial institutions to behave in accordance with idiom established in the sixteenth century: grist to the mill. On the contrary, the analyses focused on epistemological limitations and the uncertainty present within finance that makes the demands of objectivity unfulfillable is hardly existent in the literature. My goal is to fulfil this gap. Hence, I aim at showing that being objective is epistemically impossible.

Below I discuss the thought experiment aimed at illustrating the main thesis of this article. Is it possible to objectively answer the question on the level of inflation in the next year? There is a number of possible answers depending on methodologies applied to the problem. In accordance with the sceptical viewpoint which assumes the impossibility of prediction and random changes in the inflation rate, the best prediction is formulated on the ground of the level of

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[2] Komisja Etyki Bankowej, *Kodeks Etyki Bankowej*, www.zbp.pl, access: 02.2016.

[3] Ibidem.

[4] Izba Zarządzających Funduszami i Aktywami, *Kodeksem Dobrych Praktyk Inwestorów Instytucjonalnych,* www.izfa.pl. access: 02.2016.

inflation observed in the previous year. On the other hand, an econometrician would apply their knowledge and computer programs to trend analysis in order to formulate the most likely estimate of the rate of inflation. In addition, an economist would base their estimations on a theoretical model of the relations between the inflation rate and exogenic variables. What is especially interesting, the differences among the estimates formulated in the above mentioned ways would be wider than among such predictions and the rate measured next year, i.e. than their *ex-post* error.

Moreover, even the question on the inflation rate in the last year is equivocal. The answer can be based on a number of indicators delivered by the polish statistical office (Główny Urząd Statystyczny) or on own estimations. For instance, the rate of inflation can be understood as a value of a consumer price index (CPI), a producer price index (PPI) or a GDP deflator. On the contrary, everyone can calculate such value comparing the value of money paid for the same purchases bought at beginning and ending of a year. In addition, the inflation rate can be calculated with Paasche or Laspeyres price indices what might significantly influence the outcome. In other words, the answer given to the question on the rate of inflation depends on the applied methods.

Therefore, as I argue below, fulfilling the demand of being objective is impossible due to the epistemic reasons. First, I review the two paradigms in the philosophy of economics. In accordance with the scientific realism, an objective reality is attainable and describable appropriately by science (e.g. economics) that is (in general) right. The constructivist approaches, on the contrary, state that the reality is not discovered but constructed with the methods, definitions and scientific tools applied by scientists. Second, I review a number of case studies where different methodologies lead to obtaining contrary conclusions. Third, I attempt to solve the problem that occurred by considering what is the aim of the demand of objectivity and how its goals can be fulfilled. Finally, I summarise the arguments in favour of the thesis that being objective is epistemically impossible and advise reformulation of the ethical codes: instead of demanding of objectivity, acting according to client's interests should be priority for financial institutions.

Philosophical foundations

In this chapter, I review the two contradictory philosophical paradigms: realism and antirealism and show how the demand of objectivity included in the ethical codes of conduct evolved from the former. In the next chapter, I discuss several case studies from both academic economics and financial practice in order to show that the constructivist approaches offer a better descriptive adequacy.

In the ancient Greek, beside philosophers, there were sophists who – as Frankel pointed out[5] – rejected philosophical speculations due to agreeing with the point of view that even if the answers to the questions posed by philosophers exist, they are undiscoverable by humans, what can be illustrated by the following ancient Latin phrase: "ignoramus et ignorabimus". One of the sophists who earned his living by teaching the Athenian politicians the skill of argumentation, Protagoras truthfully pointed out that it is human being who is the ultimate arbiter and judge of what is true and false. According to Protagoras, "man is the measure of all things: of the things that are, that they are, of the things that are not, that they are not"[6].

However, not the practically oriented sophists but the philosophers shaped our understanding of the role of science as a search for truth understood in accordance with the correspondence definition, i.e. as seeking for an objective description of reality. In detail, the author of the concept of "eternal truth" is Plato. The establisher of the Academy postulated that even though the reality we experience evolves, there are unchangeable forms. In one of the dialogues he authored, *The Republic*, Plato wrote that our experience is only an illusion, similarly to shades on a wall of a cave that are watched by people imprisoned inside[7].

However, what is essential for the realist philosophy, according to Plato, the objective truth, the eternal forms or ideas are epistemically available, understandable on the grounds of rational cognition[8]. Indeed, understanding the (economic) reality or – in other words – explaining it is the goal of science in accordance with the scientific realism which, nowadays, is the most widely supported paradigm in the philosophy of economics. The scientific realism was coined in the twentieth century in response to difficulties faced by the positivists from the Vienna Circe. Moreover, scientific realists aim at explaining the successfulness of sciences what makes the popularity of this paradigms among the methodologists of economics ironic, since the success of economics is often questioned.

In accordance with the scientific realism, the main goal of scientists is not predicting but, on the contrary, delivering explanations. Moreover, truth is defined as an appropriate description of an idealised reality. Another important point of view supported by scientific realists states that scientific theories (in general) appropriately describe unobservable entities. It needs to be highlighted

[5] B. Frankel, *Roots of Realism*, London 2013, p. 198.
[6] G. Reale, *Myśl Starożytna,* Lublin 2003, p. 93.
[7] Platon, *Państwo,* W. Witwicki (tłum.), Warszawa 2003.
[8] Ibidem.

that the discussion focuses on unobservability for science, not for human eyes. In other words, scientific realists state that the ontological status[9] of unobservable entities (such as – on the grounds of economics – for instance: perfectly competitive markets, customers that rationally maximize utility etc.) is the same as the observable ones, i.e. they exist to the same extent and in the same way[10].

The demand of being objective and delivering true information is supported by and grounded in the philosophy of scientific realism. There are several arguments that support this thesis. First, according to the scientific realism, there is only one objective description of reality that is adequate and can justifiebly be called truth. Second, the (economic) reality is shaped in a way that makes it epistemically accessible. Third, when one face an economic problem such as choice of economic policy that should be introduce or deals with the problem of deciding which of possible investments should be preferred, in consonance with the scientific realism is the view that there is only one solution (and one method of arriving at it) that is right and should be applied.

However, the point of view grounded in the scientific realism is inappropriate in two cases. First, if one has no perfect information. Second, if the situation one deals with is indeterministic. In fact, the question whether economy and finance are epistemically or ontologically indeterministic does not matter. Epistemic indeterminism means that one has no appropriate knowledge and therefore cannot analyse a phenomenon under consideration in a deterministic way. On the contrary, ontological realism means that reality is intrinsically random as if, as Stewart put it, God throws dice[11]. What is interesting, modern physics, even though achieved much greater success in explaining our world, is currently interpreted in an antirealist way[12]. In the next section, I am going to discuss several case studies in order to show that the statements of scientific realism lacks descriptive adequacy on the grounds of economics and finance.

There are a few philosophical positions that oppose the scientific realism in defining truth. The three most sound antirealist theories in the philosophy of economics are: instrumentalism supported by Friedman[13] in his famous "Essay on the Methodology of Positive Economics", the rhetoric of economics coined

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[9] U. Maki, *Scientific realism as a challange to economics (and vice versa),* "Journal of Economic Methodology", 18(01), pp. 1-12.
[10] Ibidem.
[11] I Stewart, *Czy Bóg gra w kości? Nowa matematyka chaosu,* Warszawa 1994.
[12] M. Tegmark, *The Interpretation of Quantum Mechanics: Many Worlds or Many Words?,* „Progress of Physics", 46 (8), pp. 855-862.
[13] M. Friedman, *The Methodology of Positive Economics,* M. Friedman (ed.), *Essays in Positive Economics,* Chicago 1953, pp. 3-43.

by McCloskey[14] and the constructivist approach described by Fleck[15]. Now, I briefly describe the three philosophies, focusing on how they define truth.

The famous Friedman's essay is one of the most often cited articles in the field of the philosophy of economics what is an outcome of its ambiguity and the difficulties in interpreting. However, in spite of difficulties, the most common point of view among interpreters states that Friedman defined truth in an instrumentalist way: those theories and statements are true that helps in fruitful (in terms of precision and area of application) making predictions[16]. In a similar vein, Fleck[17], an early twentieth century microbiologist and philosopher of science, analysed selected case studies from the history of microbiology and medicine, and pointed out that what is believed to be true changes over time. Therefore, Fleck argued that those facts should be believed to be true that are useful[18].

The most important conclusion drawn by Fleck[19] from his studies of medicine and microbiology is the point of view according to which scientists arrive at findings that depend on choices of definitions and methods that are conventions since it is impossible to rationally prefer one of them over others. In accordance with the point of view of the polish constructivist, the methodological commitments are an outcome of a thought style one belongs to: during the education process and exchanging ideas with colleagues and co-workers, every academic belongs to a thought community that is characterised by holding presuppositions on methodological issues that are believed to be true, even though, other ideas are similarly justified for someone who does not belong to a considered community.

On the other hand, McCloskey[20] criticized the philosophies of scientific realism and its predecessor, i.e. logical positivism by indicating that it is impossible to compare an economic theory or even a single hypothesis with reality due to the theory-ladenness of every observations, what was originally demonstrated by Duhem and Quine who expressed the thesis known today as the Duhem-

[14] D. McCloskey, *The Rhetoric of Economics,* „Journal of Eocnomic Literature", 1983, 21(2), pp. 481-517.
[15] L. Fleck, *Genesis and Development of a Scientific Fact,* Chicago 1979.
[16] M. Friedman, *The Methodology of Positive Economics,* op. cit.
[17] L. Fleck, *Genesis and…*, op. cit.
[18] Scheuer B., *Metodologia ekonomii w perspektywie konstruktywistycznej,* Wrocław 2015.
[19] L. Fleck, *Genesis and…*, op. cit.
[20] D. McCloskey, *The Rhetoric of Economics,* Wisconsin 1998.

Quine thesis[21].Therefore, McCloskey argues that true theories are the ones that are intrinsically consistent and supported widely among economists[22].

Taking into consideration the above discussed views on truth, the demands of objectivity and delivering true information that are included in several ethical codes of conduct are impossible to be met due to the epistemic reasons. In detail, according to the constructivist approaches, there is no one, constant "Truth" but only theories and methods that are more or less useful in explaining, understanding and dealing with problems connected to finance and economics. As McCloskey put it, "the best you can do, then, is to recommend what is good for science now, and leave the future to the gods"[23]. In the following section, I discuss several case studies and argue that the constructivist approaches offer a better descriptive adequacy to what academic economists and the employees of the financial sector usually do. Then, I offer a solution to the problem that arises.

Research and practice in economics

In this section, I discuss several case studies from both academia and decision-making practice in finance, where applying alternative methodologies leads to obtaining contradictory results. Most of philosophers of science, raised within realist tradition, attempts to dismiss this point of view as an outcome of a mistake, highlighting that only one of the contradictory conventions is right and the other should be judged as erroneous. However, when they consider conclusions reported by Coca Cola and Pepsi Co., which both publish results of customer preference tests, according to which consumers, facing the necessity of choosing one of the two colas, prefer the one produced by the company that conducted the test[24]. In this case, most of the commentators underlie that such research is a marketing tool rather than a serious research. On the contrary, below I argue that such situations also happen in the academia.

Probably the most sound and most influential case of the situations where alternative methodologies leads to the contradictory findings is the so-called Reinhart-Rogoff affair. It should be highlighted that the opposite stylised facts constructed by Reinhart and Rogoff[25] and Herndon, Ash, and Pollin[26] strongly

[21] Boylan Th., O'Gorman P., *Popper and Economic Methodology: Contemporary Challenges*, Cambridge.
[22] D. McCloskey, *The Rhetoric…*, op. cit.
[23] D. McCloskey, *The Rhetoric…*, op. cit, p. 186.
[24] B. Kanner, *Coke vs. Pepsi: the Battle of the Bubbles,* „New York Magazine", 1981, 14 (39), p. 21.
[25] C. Reinhart, K. Rogoff, *Growth in a Time of Debt,* "American Economic Review", 2010, 100 (2), pp. 573-578.

influenced economic policy introduced by several governments in response to the financial crisis of 2007-2008. What is very peculiar, everyone interpreted the differing results as an outcome of the mistake committed by Reinhart and Rogoff, what is not the case. On the contrary, the difference was caused by the alternative averaging scheme applied by Herndon, Ash and Pollin, what made calling their article replication a misunderstanding.

In 2010, Reinhart and Rogoff[27] published the analysis based on their original dataset consisting several hundred instances that described GDP growth and public indebtedness in 44 countries over up to 200 years. The cliometricians employed by Harvard University divided the dataset into four buckets distinguished due to the level of the public debt to GDP ratio (below 30%; 30-60%; 60-90%; more than 90%). Then, they calculated averages of GDP growth for every bucket in the following way. First, they calculated arithmetic mean for every country in every bucket. Second, they averaged the previous estimates, so that every country, no matter if it happen to fall to a bucket once or more than once, influenced the mean to the same degree.

Reinhart and Rogoff concluded their research by indicating that economic development of countries that experience very high level of the debt to GDP ratio (i.e. over 90%) is much slower. The stylised fact they described got wide attention and convinced, among others, Angela Merkel, Wolfgang Schauble, Oli Rehn and Manuel Baroso to introduce austerity to the national budget plans what made Paul Krugman[28] called their research the most influential research of the recent years.

At the peak of popularity of the Reinhart and Rogoff's paper "Growth in a Time of Debt", Herndon, Ash and Pollin[29] published its replication, where they argued that the stylised fact reported by the Harvard economists is the outcome of the three following pitfalls discovered by Herndon when he attempted to replicate the original research as a homework during his graduate studies. First, Herndon, Ash and Pollin called the averaging scheme applied by Reinhart and Rogoff non-standard and argued that a weighted averaging method should be applied instead. In this approach, influence of every country on average value is weighted by number of years it was included to a considered bucket. Se-

[26] Th. Herndon, M. Ash, R. Pollin, *Does High Public Debt Consistently Stifle Economic Growth? A Critique of Reinhart and Rogoff,* "Cambridge Journal of Economics", 2014, 38 (2), pp. 257-279.
[27] C. Reinhart, K. Rogoff, *Growth in a Time of Debt,* op. cit.
[28] P. Krugman, *The Excel Depression,* „The New York Times", www.nytimes.com, access:03.2016.
[29] Th. Herndon, M. Ash, R. Pollin, *Does High Public...,* op. cit.

cond, they accused the authors of "Growth in a Time of Debt" of excluding the New Zealand data what, according to them, was unjustified. Third, the PhD student, after asking Reinhart and Rogoff for delivering the original spreadsheet, discovered that it consists of the spreadsheet error that caused exclusion of a few alphabetically first countries. Herndon, Ash and Pollin concluded that correcting for the flaws they discovered makes the conclusion drawn by Reinhart and Rogoff unjustified, i.e. average economic development of countries experiencing very high levels of the debt to GDP ratios does not significantly differ from the other groups.

The criticism caused many commentators publish (mostly in popular press) articles where accusations of fudging the results on purpose were formulated. Moreover, some economists grieved them to see the article based on the spreadsheet error being published by one of the most influential economic journals (i.e. "American Economic Review"). However, a detailed analysis of the arguments in favour of the two approaches [30] show that the methodologies applied by Reinhart and Rogoff and Herndon, Ash, and Pollin are justified to a similar degree[31]. Therefore, it is justified to say that the Reinhart-Rogoff affair is a good exemplification of the thesis that facts in economics are constructed rather than discovered.

Another case study is based on two articles that present opposing points of view on the expansionary fiscal contraction hypothesis. What is especially intriguing, the contradiction occurred due to a single methodological decision. The researches described above focuses on the question if high public indebtedness harms economic development. In a similar vein, Alesina and Ardagna[32], and Guajardo Leigh and Pescatori[33] focused on estimating the short term influence of austerity at the Treasure on pace of economic growth. The most basic problem in such an analysis is indicating when governments introduced budgetary reforms.

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[30] M. Maziarz, *Being good is not enough*, „Journal of Economic Methodology", in press.

[31] M. Maziarz, *It's all in the Eye of Beholder*, „Cambridge Journal of Economics, in press.

[32] A. Alescina, S. Ardagna, *Large Changes in Fiscal Policy: Taxes Versus Spending,* "NBER Working Papers", 15438.

[33] J. Guajardo, D. Leigh, A. Pescatori, *Will it hurt? Macroeconomic effects of fiscal policy: evidence from industrial and developing countries,* "World Economic Outlook", 2010, pp. 93-124.

In general, there are two main approaches to the problem of indicating when governments cut spending or raise taxes. On one hand, Alesina and Ardagna[34] calculated cyclically adjusted primary balance in accordance with the methodology developed by Blanchard[35] and assumed that changes in CAPB larger than 1.5 percentage point indicate the reforms. On the other hand, Guajardo ,Leigh and Pescatori[36] applied the methodology originally developed by Blanchard[37] who analysed the influence of the taxation law reforms on economy.

The findings of the two teams interested in verifying the expansionary fiscal contraction hypothesis are similar to some degree. Namely, both Alesina and Ardagna and Guajardo, Leigh and Pescatori conclude that the government spending cuts are better for economy than the tax raises. However, they do not agree on the issue if the expansionary fiscal contraction hypothesis is true. Alesina and Ardagna[38] delivered evidence in favour of the hypothesis. On the contrary, Guajardo, Leigh and Pescatori[39] estimated that the short term influence of spending cuts negatively influence the economy.

The difference in the obtained results is the outcome of the methodology of indicating when governments introduced budgetary reforms. A careful analysis of the two articles show that Alesina and Ardagna, and Guajardo Leigh and Pescatori indicated the years of fiscal reforms that strongly differed. Namely, only 30% of the years were commonly pointed out[40], even though both research teams employed similar databases (of countries belonging to OECD) and analysed facts that took place in history and (as most people would assume) are not arguable. On the contrary, this case study shows that there are no pure facts, which can only be seen with the help of a methodology that determines what reality is perceived to a high degree. The defenders of the realist methodologies attempt to show that only one of the methodologies is right and the other flawed. However, both methodologies are widely used in cliometrics, not only in the research on the expansionary fiscal contraction methodology, what shows that it is impossible to rationally prefer one of the methods over another. Hence, the constructivist methodology seems to offer a better descriptive adequacy to

[34] A. Alescina, S. Ardagna, *Large Changes...*, op. cit.
[35] O. Blanchard, *Suggestions for a New Set of Fiscal Indicators,* “OECD Economics Department Working Papers”, 1990, 79.
[36] J. Guajardo, D. Leigh, A. Pescatori, *Will it hurt?* op. cit.
[37] O. Blanchard, *Suggestions for a New Set of Fiscal Indicators,* “OECD Economics Department Working Papers”, 1990, no. 79.
[38] A. Alescina, S. Ardagna, *Large Changes...*, op. cit.
[39] J. Guajardo, D. Leigh, A. Pescatori, *Will it hurt?*, op. cit.
[40] M. Maziarz, *It’s all in the Eye of Beholder,* „Cambridge Journal of Economics”, in press.

what economists do. The findings they arrive at depend on methodological decisions. The situation is similar to the one that Fleck observed in microbiology. Therefore, it is better to talk about constructing reality by the economic theories and models rather than describing it.

In finance, even if it is considered as an applied science rather than the pure one, the situation is similar. Hence, it makes no sense to consider if a decision was undertaken in an objective way because there is no objective point of view or, in other words, objective description. On the contrary, there are only methods that are offer better or worse solutions to the problem. Moreover, it is important to keep in mind the points of view and interests of those who are to make methodological decisions. These ideas can easily be exemplified by several following case studies.

In the recent years, serious accusations were formulated by the debtors who received their loans nominated in Swiss franc. A number of commentators accused banks of advising taking the currency loan in order to raise profits of the financial institutions instead taking care of customers' interests. It is certainly easy to formulate such accusations from the today perspective, when the change of the trend on the foreign exchange market took place. However, in order to decide whether the bank's behaviour was ethical or unethical, taking into account the constructivist approach, the justification of methods employed by banks to estimating risk should be analyzed. In fact, none of the econometric methods used by banks was able to predict switch of one of the strong trend: the Swiss franc become cheaper and cheaper for several years before 2007. Moreover, many short-sighted clients underestimated the risk inherently connected to a currency loan in search for reducing interest rates paid for their mortgage loan. Therefore, the outcome bias should not be committed in evaluating past decisions.[41]

Another decision that is to be undertaken by one who is going to take a loan is deciding whether constant interest rate or variable one is a cheaper choice. In this case, an employee of a bank also cannot, due to the epistemic reasons, be objective because the decision depends on the estimations of the future interest rates that strongly depends on methodological decisions. Therefore, the demand of being objective and delivering true information, formulated in the ethical codes of conduct established by the polish financial institutions, cannot be fulfilled.

[41] J. Baron, J. Hershey, *Outcome bias in decision evaluation*, „Journal of Personality and Social Psychology", 54 (4), 1988, str. 569-579.

A similar situation is faced by an employee of a bank when they are to estimate the credit risk of a company that applied for an investment loan. The outcomes of errors in this field have been experienced by the global economy a few years ago, when the financial crisis of 2007-2008 broke out. Usually, two groups of analysts would deliver differing estimates of the credit risk of a considered company.

The differences in the estimates of the financial analysts are easily observed when one compares recommendations published by different brokerage houses. Zaremba and Konieczka[42] analysed such financial prognoses published since 2005 till 2012 by simulating the following investment strategy: the shares indicated as overvalued were short sold and the shares of the companies rated as undervalued were bought. The results of the above mentioned strategy showed that the brokerage recommendations are of no use for investors that aim at active investments at the Warsaw Stock Exchange due to the fact that it resulted in a statistically significant loss.

In the similar vein, Kowalke[43] analysed brokerage recommendations but focused on the sources of the limited utility of the recommendation in undertaking investment decisions. He compared the estimations of the future net profit and operating profit to the real values from the Financial Statements published by corporations listed on the Warsaw Stock Exchange. The quality of the forecasts was disapproved[44].

Apart from the investment decisions connected to the stock market, financial advisors are often asked by their customers whether investment funds or deposits are a better place to put one's money in. Similarly to the previous examples, being objective or delivering true answer is epistemically impossible also in this case. Certainly a number of economists highlight that the stock market, in the long run, is more profitable. However, how long is "the long run"? Taking into account Keynes'[45] famous sentence according to which we all will be dead in the long run, the answer to the problem of profit/risk ratio maximization depends on forecasts of economic climate during the expected duration of investment. Considering the above-mentioned limited accuracy of next year's

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[42] A. Zaremba, P. Konieczka, *Skuteczność rekomendacji maklerskich na polskim rynku akcji*, „Zeszyty Naukowe Uniwersytetu Szczecińskiego", 2014, 803, pp. 573-581.
[43] K. Kowalke, *Prognozy finansowe biur maklerskich a rzeczywiste wyniki finansowe spółek giełdowych,* "Zeszyty Naukowe Uniwersytetu Szczecińskiego", 2015, 862, pp. 269-281.
[44] ibidem.
[45] J. Keynes, *A Tract on Monetary Reform, The Collected Writtings of John Maynard Keynes*, New York 1971.

profit forecasts, appropriate predicting of the economic climate in the next five or ten years is hardly possible. Hence, the answer to the question depends on a customer's risk aversion that rely on their financial situation, income and individual's psychological characteristics. In other words, a financial advisor is unable to objectively choose the best investment opportunity because, on one hand, it is epistemically impossible and, on the other hand, it depends on an individual's subjective features.

The aims of the ethical rules

As I showed above, the demands of objectivity and delivering true information which are formulated in the ethical codes of conduct of banks and other financial institutions in Poland are impossible to be fulfilled due to the epistemic reasons (when truth is impossible to be discovered due to lack of knowledge) and ontological ones (when the financial reality is intrinsically indeterminist and the problems faced by e.g. financial advisors are connected to predicting future paths of events). However, it can justifiably be assumed that the aim of introducing such demands grounded in the realist approach to the philosophy of economics is not needing or liking the correspondence theory of truth expressed by, for instance, the Banking Ethics Committee (Komisja Etyki Bankowej). On the contrary, ethical codes of conduct are usually set up in order to ensure the rights and interests of the stakeholders[46].

In detail, the demands of objectivity and delivering true information are incorporated into the codes of ethics due to ensuring the advises and decisions of the financial institutions will be given and undertaken in the best interest of the clients since, in accordance with the realist philosophy, the best decisions are based on knowledge that truly reflects reality. Hence, the aim of the ethical rules under consideration is obliging the representant of the financial institutions to undertake decisions that fulfil the needs and interests of the clients. Is ensuring this goal possible without formulating ethical rules that impossible to be met?

Concluding remarks

Above, I showed that both research practice in economics and decision-making in finance is more adequately described in terms of the constructivist methodologies, even though the realist philosophy of economics is more widespread and expressed, among others, in the ethical codes of conduct. In accordance with the constructivist approaches, objectivity and truth are epistemically inaccessible.

[46] A. Brian, *Professional Ethics and The Culture of Trust*, „Journal of Business Ethics", 1998, 17 (4), 391-409.

Theories, models and grounded in them decisions can only be useful instruments in dealing with reality. Therefore, the demands of being objective and delivering true information should be deleted from the ethical codes of conduct.

Instead of these impossible to be fulfilled due to epistemic reasons rules, I recommend reforming the institutional setting in order to ensure adhering to the needs of their customers by the financial institutions. This goal can be achieved by setting up such institutional constraints that would bring the interests of the employees of the financial institutions and their customers together what can be achieved by reforming payroll systems so that financial advisers and bankers would face incentives to behave in accordance with the interests of their customers.

In detail, the remuneration systems should reward decisions that maximize the profits or minimize the costs borne by the customers. For instance, the earnings of the financial advisors should be defined as a fraction of customer's profits rather than a commission. In a similar vein, a bank clerk should, instead of earning a commission which value depends on number of e.g. loan agreements signed, earn a fraction of bank's profits on a loan (so that signing agreements with customers who do not pay their loans back would reduce the salary of the bank clerk who is responsible for the credit risk misvaluation). In this way, taking care of clients' needs and interests would be possible without setting up ethical obligations that are impossible to be fulfilled due to the epistemic reasons.

Wymagania etyczne w świetle metodologii konstruktywistycznej

Streszczenie

Celem artykułu jest przedstawienie argumentów przemawiających na rzecz tezy o braku możliwości wypełnienia zasady obiektywizmu występującej w kodeksach etycznych bankowców i finansistów, na przeszkodzie której stoją względy epistemiczne. Po pierwsze, omówiono dwa główne paradygmaty filozofii ekonomii. Z jednej strony, zgodnie z realizmem naukowym prawda w ekonomii jest możliwa do odkrycia. Z drugiej strony, zgodnie z retoryką ekonomii McCloskey, instrumentalizmem Friedmana i konstruktywi-

Abstrakt

The aim of the article is presenting argumentation in favour of the point of view according to which the principle of being objective, formulated in a number of codes of ethics, is impossible to be fulfilled due to the epistemological reasons. First, I discuss the two main paradigms in the philosophy of economics. On one hand, the scientific realism asserts that truth in economics is attainable. On the other hand, in accordance with McCloskey's rhetoric of economics, Friedman's instrumentalism and Fleck's

zmem Flecka, obiektywny opis rzeczywistości jest niemożliwy do skonstruowania, dlatego modele i teorie stanowią utylitarne narzędzia służące do predykcji lub podejmowania decyzji. Po drugie, przedstawiono szereg studiów przypadków badań naukowych i praktyki rynkowej, gdzie zastosowanie odmiennych metod prowadzi do uzyskania sprzecznych wyników, co świadczy o adekwatności metodologii konstruktywistycznej. Po trzecie, zaproponowano rozwiązanie problemu.

constructivism, objective truth either does not exist or is unattainable. According to the constructivist methodology, models and theories are constructed in order to serve as useful tools and does not aim at describing real world. Second, I study selected cases from both academia and business practice that supports the constructivist approaches. Third, I offer a solution to the occurred problem.

Słowa kluczowe

Etyka w biznesie, filozofia ekonomii, obiektywność, metodologia konstruktywistyczna

Keywords

Business ethics, philosophy of economics, objectivity, constructivist methodology

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