Lisa HERZOG (ed.). *Just Financial Markets? Finance in a Just Society*. Oxford: Oxford University Press, 2017. 352 pp.

The 2007 financial crisis has deeply shaken the world economy. The causes and consequences of this crisis have been hotly debated in economics ever since. However, the impact of financial markets on justice is also a growing field of study, to which the book recently edited by Lisa Herzog provides a valuable contribution. The book is not intended to tackle technical discussions on the functioning of financial markets and institutions, which are broadly presented in the introduction (chapter 1). Rather, it aims at making clear how financial markets and institutions affect justice and at proposing potential institutional reforms. The book is divided into three parts. The first four chapters scrutinize several possible normative frameworks for studying financial markets beyond the simple 'free-market' model. The second part studies the legal framework that applies to financial markets, discusses how it failed to prevent harm and injustices, and proposes reforms. The final part looks at particular financial institutions and analyses how they impact justice.

Through which lenses should we assess how financial markets affect justice? In chapter 2, Rosa Lastra and Alan Brener argue that the legitimacy of financial markets depends on the way their social purpose effectively promotes human rights. This requires financial markets, at least, to "[…] promote societal capabilities enhancing transparency, participation and accountability" (52). In chapter 3, Rutger Claassen applies the capability framework to the regulation of financial markets. He describes several capabilities and stresses the importance of two of them in particular: financial literacy, which allows proper participation in financial markets, and political capabilities of citizens to build effective countervailing powers. In chapter 4, Seumas Miller proposes that we assess the normative impact of financial markets with respect to the institutional purposes that they ought to have. For instance, in his opinion, the "[…] collective good that capital markets exist to provide is an adequate and sustainable supply of capital at a reasonable price" (87). These collective goods should be the starting point of any normative assessment of finance and financial institutions. However, he does not give any normative reasons for choosing these institutional purposes and does not say how they should be assessed (e.g. according to their consequences or according to the demands of users of financial services?). In chapter 5, Lisa Herzog argues that the distribution of rewards within the financial system is just if these rewards go to those who play by the rules, *and* if these rules are just. However, she demonstrates that financial markets suffer from numerous market failures and hardly fulfil their proper role in promoting growth and employment, so that the rules, and the distribution of rewards that come with it, are clearly unjust.

How should the legal structure of financial markets and institutions be designed? In chapter 6, Mark Reiff argues that courts should give more weight to the personal moral responsibility of those who have caused serious harms through their financial activities. Jay Cullen, in chapter 7, contends that greater personal liability and personal

sanctions are needed to prevent excessive risk-taking from damaging our economies. In chapter 8, Katharina Pistor claims that financial markets are not an equal playing field: rather, their legal framework gives to those at the 'centre' some undue advantage compared to those on their 'periphery'. Powerful financial actors benefit from the system while taxpayers bear all its costs. In chapter 9, Aaron James studies the legal framework surrounding new trade agreements (such as the Transatlantic Trade and Investment Partnership), which give investors certain rights to compensation if regulatory changes cause profit losses. He argues that these privileges are unnecessary to protect international trade from illegal practices and illegitimate from the point of view of justice.

The final part of the volume under review discusses how specific institutions relate to justice. In chapter 10, Peter Dietsch studies how central banks affect justice. While conceding that the impact of conventional policies on inequalities is not clearly determined, he argues that unconventional policies give a clear advantage to capital owners and financial institutions. Quantitative Easing, which consists of an unprecedented asset purchase programme by central banks, raises wealth inequalities and increases the leverage of financial markets over monetary policy. Indeed, central banks become increasingly dependent on the willingness of financial institutions to invest their funds in productive assets (rather than in financial products). In chapter 11, Boudewijn de Bruin argues against regulating credit-rating agencies, whose deficiencies have been one of the alleged causes of the 2007 financial crisis. In his opinion, investors were wrong to outsource their epistemic responsibility (i.e. responsibility to assess credit risk) and governments were wrong to make these agencies legally-binding sources of information. His argument focuses on showing that there are in fact no conflicts of interest between investors and credit-rating agencies, which have no moral duty to provide adequate information. In chapter 12, Roseanne Russell and Charlotte Villiers attempt to refute the business case for gender representation in executive boards, which contends that increasing the representation of women is good in so far as it increases profits. They strongly oppose its instrumental nature and defend instead a more deontological case, taking into account the democratic legitimacy that the representation of women brings to the firm. Finally, in chapter 13, Anat Admati demonstrates that the 2007 financial crisis was made possible because several 'enablers' had wrong incentives to take excessive risks and to avoid reporting potential problems, while being exempt from any liability. She also stresses the effect of 'false narratives' on the persistence of such flaws and on the incapacity of the public to acknowledge the true extent of these issues.

While chapter deserves a more thorough examination, the present review focuses rather on two issues that, I believe, are common to most of them. The first is that they do not look into the potential external sources of injustice that led to the 2007 financial crisis and that affect how financial markets relate to justice. By external sources, I mean those sources that do not relate to the functioning of financial markets (such as lack of information, of liability or of proper incentives) but lie in other markets. For instance, the scaling back of social protection in many OECD countries over the last 30 years has forced many people to go into debt (if their income is insufficient) and to subscribe to private pension schemes (when public pensions are not provided, or not adequately so).

These changes greatly increased the size of financial markets and made the life of a great number of people dependent on them, without necessarily involving a free act of choice on their part. Inequalities in the labour market are thus also a major source of injustice on the financial markets.

The second issue concerns potential reforms. Some authors consider systemic reforms. Lisa Herzog reviews several existing proposals, such as reforming the bonus structure of compensation and raising capital ratios for banks. Seumas Miller also revives some 'classical' propositions, such as splitting investment from retail parts of banks (95) or creating a global reserve currency. And Peter Dietsch argues for making central banks more sensitive to distributive issues. Most authors, however, point to individual solutions. Mark Reiff and Jay Cullen argue for increasing personal liability and for tougher personal sanctions. Lisa Herzog insists on changing the business culture within the financial sector. While placing more responsibility on the individual for his or her wrong actions may be praiseworthy it amounts nevertheless to placing a lot of faith on individual morality and on market process, which is supposed to coordinate individual behaviour. This becomes evident in the case of de Bruin's insistence on the epistemic responsibility of investors. He argues that credit-rating agencies do not have any duty to provide adequate information on credit risk, which, in addition, may not have any real added value. He thus puts all the responsibility on individual investors. But is this fair and efficient?

First, I do think that outsourcing the assessment of credit risk has some added value. If such evaluations were fully decentralized in the hands of private investors, this would benefit powerful investors (those with the proper means) at the expense of smaller investors, who would be kicked out of the market. Moreover, a well-functioning market needs proper and wide-spread information. The public character of information ensures that all actors are on an equal footing and that the financial markets have the necessary and adequate information to work properly. Therefore, rating agencies, if properly designed, may be an important agent of financial regulation.

Second, contrary to de Bruin, I think that information providers have some moral responsibility, especially when the information they provide is crucial (as I explained in the previous paragraph) and possibly harmful. Inadequate credit ratings might throw entire economies into severe economic crises. Those producing such ratings certainly have some moral responsibility regarding such harms if they are caused by their failure to provide adequate and necessary information about credit risk.

Relying only on individual behaviour is not sufficient for tackling all injustices on the financial markets: properly regulated institutions may still be needed (including credit-rating agencies). Despite these disagreements, this new book is certainly worth reading for all those interested in financial ethics. Although several of these normative issues would deserve a further analysis, the book provides a very useful examination of the ethics of financial markets, which should interest both economists and philosophers.

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