

# Moral lessons from the crisis

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"Crisis" is perhaps the most repeated word in the world over the past two years. What started as a financial crisis devolved into a public one, in which the difficulties of governments in dealing with the recession were laid bare.

In a [new article](#), IESE Prof. [Antonio Argandoña](#) says we are currently facing a government crisis that ultimately reflects the failure of an economic and social model built on faulty anthropological and ethical foundations.

## **Greedy behavior**

Prudence should be the main virtue of bankers, and of entrepreneurs in general. However, the environment developed over the past few years has certainly not helped make that a reality.

Instead, a far different set of values has been promoted during this period: glory, wealth, lies and, the most dangerous of all, greed — not only that of the big-time executives, but also that of society as a whole.

The author defines greed not as the pursuit of profit, but rather a perversion of the legitimate right to prosper. Conditions such as low interest rates, cash surplus and soaring asset values have allowed for a major boom in earnings at all costs.

Society has nurtured this type of greedy behavior and often rewarded it, even if some cases revealed fraud, by accepting that the end justifies the means.

Financial institutions, meanwhile, created unjust situations by resorting to practices such as withholding information, false advertising and processing superfluous operations in order to generate more fees.

They have also demonstrated a lack of consideration of the common good by running risk levels exceeding those that they would be willing to accept if they themselves were on the hook for all of the potential losses.

## **Motivations and decisions**

Lurking behind these actions are the motivations that drive our choices. Some are economic (i.e., compensation), although there are others ranging from the desire to learn, to the satisfaction of a job well done.

All decisions have multiple consequences. For instance, when employees at a bank branch sell financial products to customers, they are producing financial results that will justify their salaries. But it's also possible that they end up learning a little more about the given financial product, and that the customer gains more trust in the institution.

This is where the ethical dimension surfaces, because employees could actually be lying to customers in order to dump the financial product on them, thereby prioritizing compensation over all else. If so, then employees have jeopardized their own credibility and that of the institution, not to mention developing their capacity to be unjust.

A purely economic assessment of the crisis falls short, since people's decisions can have a huge variety of implications, creating moral or immoral cultures. Ethics, as defined by Argandoña, infuses the economy with a deeper conception of human motivations, which allows us to better define the consequences of economic decisions, especially with regard to the long term.

## **The ethics of the crisis**

We can say that there are no purely economic decisions, and that each one contains ethical and sociological dimensions. The ethical nature of a decision depends not so much on its conformity with certain guidelines, but rather on the ability to know what is most suitable on every occasion.

The current crisis has revealed a whole set of failures in the behavior of financial institutions and their employees, regulatory agencies and governments. Their behavior went awry because so, too, did the theoretical models and practices that were inspiring them. And the latter failed because their anthropological and ethical foundations were inappropriate.

Leading is about achieving not just financial results, but also intangible results in people, such as the confidence of the organization's personnel and customers. In recent years, the lack of ethics has destroyed economic profit along with these other intangible assets, which are far more difficult to recoup. After this crisis subsides, will we finally learn our lesson?

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