Ethics in financial management

This paper discusses an article called Paulson's Calls to Goldman Tested Ethics written by Gretchen Morgenson and Don Van Natta. Ethics can be defined as choosing between right and wrong. In the financial decision making process ethics plays an important role because it helps create guidelines to ensure financial resources are used in a proper manner. For example a CEO can use ethical guidelines to determine if an expansion plan into a foreign country that is currently at war is appropriate. Accountants utilize ethics in their daily work to ensure their analysis is free of bias and follows the generally accepted accounting principles (GAAP). In the article discussed in this paper we see how a person in power takes advantage of his position for personal gain.

Henry M. Paulson was the Treasury secretary during the Bush Administration. He was also a major shareholder of Goldman Sachs. Mr. Paulson wanted to make it seem as if his ethical standards were implacable. He sold all his shares of Goldman Sachs and vowed not to get involved in any issues associated with the investment banking sector since he had many friends and colleagues in the industry. Getting involved in issues associated with the investment banking sector would constitute a conflict of interest ethical violation. A conflict of interest occurs when a person has a conflict between his private interest and the individual public obligations (Answers, 2009). The Treasury secretary was in the middle of the entire bailout package scandal. When the government allocated $85 million dollar of the bailout money to the American International Group (AIG), Mr. Paulson's former employer, Goldman Sachs, received millions of dollars in debt collection from AIG as a consequence of the bailout package deal.

Even though Henry Paulson claims he did nothing wrong and that his actions were not unethical in any way because he was simply doing his job as secretary of treasury, many Wall Street experts believed Goldman Sachs received preferential treatment during the entire process. During the AIG bailout package took place Mr. Paulson spoke the CEO of Goldman Sachs over two dozen times (Morgenson & Van Natta, 2009). The amount of phone calls exceeds by a lot the conversations the governmental official had with any other Wall Street executive. Mr. Paulson claimed he received an ethics waiver. To me this waiver seems like a cheap excuse because the treasury secretary’s actions were clearly an ethical violation since his former employer was receiving preferential treatment. He should not have gotten involved in any negotiations in which his former employer would benefit directly or indirectly from the governmental money handed out during the bailout process. This article shows how an ethics violation can have negative effect on the reputation of a person. A lot of people lost confidence in the work being performed by Henry Paulson after he showed his true corrupt nature during the bailout package negotiations.

References

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