

Application of aristotle's nicomachean ethics to the enron tragedy



**ASSIGN
BUSTER**

The Enron top executives Ken Lay and Jeff Skilling have a perverted sense of the function of a person and what brings happiness. According to their speeches to their employees; direct instructions to traders and conversation among the executives what is the most important is money. They violated all the ethical principles in order to acquire money and make more money. They put money as the “ultimate good” and the mission statement of their company. Promotion was based on how much you can make money even at the expense of other employees or the public in which the company sold its services.

They also repeatedly violated the highest intellectual virtue of ‘contemplation of the truth’. Instead, the intellectual virtue they practiced is “contemplation of the best lies to fool the public and make more money.” They developed strategies on how to lie to increase their stock price and how to come up with more lies to cover the previous lies. They lied by developing the Mark in Market and Hypothetical Future Value accounting procedures. They lied through press releases and in their meetings with employees and investors.

They even blamed the state of California for being heavily regulated. Until the end, they continued to lie during the senate investigative hearing. The top executives lacked moral virtue. They never displayed an attempt, to control their ‘irrational desires’. Their number one desire was for money. To make money is a human desire common to all of us. However, most people are able to restrict the tendency for this desire to be a monster that consumes them to break laws and hurt people. This however is not true for the Enron Executives.

<https://assignbuster.com/application-of-aristotles-nicomachean-ethics-to-the-enron-tragedy/>

They made a decision not to control and punish the rogue traders. They encouraged them to make more money. The glee in which the traders displayed when they made millions of money as they instructed the operator of the power plant to shut down, knowing that these would lead to blackouts and human suffering brought about by traffic accidents, hospitals and businesses unable to function, showed us the absence of virtue and the absence of the humanity of these traders. They knew it was wrong but they still did it. They just wanted to retire before they were thirty.

They chose to ignore the consequences of human suffering it brought as long as they can be paid well for it later. The executives of Arthur Andersen and Enron's law firm also did not practice any "intellectual virtue". They did not control their "greed" and even if they knew it was wrong or that commonsense would tell them that it could not possibly go on since fraud would always eventually be discovered because lies get too complicated and too big to cover-up; they just signed in and still kept quiet and just accepted their million dollars a week compensation.

Arthur Andersen, as a proper auditing firm could have stopped it right then and there by not approving the accounting procedure and by checking the dummy companies being created by Andy Fastow. They could have threatened Enron then that they will report the violations to the SEC if their advice was disregarded. Furthermore, if they resigned from the account and directed the SEC to investigate; this could have been nipped in the bud.

Arthur Andersen executives failed to exercise prudence for its own company's welfare.

The company knows that the success of an accounting/audit firm is based on its credibility and ethics. They recklessly took a risk and lost everything. Their 29, 000 employees also suffered as a consequence. The law firm of Enron likewise, did not object or showed their lack of tolerance for corruption by resigning from the Enron account. Both Arthur Andersen and the law firm could have stopped Enron in time and prevented the creation of " synergistic corruption" but because of " greed" they did not.

Everyone lacked the courage to stand up against Enron because of the money they will lose. Analysts who had the courage to ask questions and not merely obey Enron's style of accounting were fired in Arthur Andersen. Major financial institutions also did not control their " greed" and also showed absence of the intellectual virtue of " contemplation of the truth". They also chose to lie and deny knowledge and also profited from the corruption. Merrill Lynch even helped over-up the debts of Enron by purchasing three Nigerian oil ships in paper when in-fact it was a loan. Fortune Magazine reporter Bethalyn McLean had the courage to question Enron and to be part of the minority who was not at awed by Enron's public reputation that was built up by Enron in the media. Unlike other magazines which helped Enron perpetuate their myth, Bethalyn McLean did her job of reporting facts or practicing the intellectual virtue of " investigating the truth".

It was not done out of malice or the intention to bring a big corporation down but was meant as an inquiry to a basic question she did not know and understand the answer to, which is " How does Enron make money? " Jeff Skilling is a geek, " the smartest person in the room" but he did not practice the intellectual virtue of " contemplation of the truth. " He immediately took <https://assignbuster.com/application-of-aristotles-nicomachean-ethics-to-the-enron-tragedy/>

the ideologies of “ free market”, Darwin’s “ evolutionist theory of the survival of the fittest” as the absolute truth.

He did not investigate the errors of this thinking or what these ideologies have failed to consider. Is Philosophy and Ethics not part of the undergraduate curriculum of elite schools who educate the smartest people? If Ken Lay and Jeff Skilling had investigated the truth of what could bring them happiness and if their parents, friends, professors in their primary school and universities have educated them or helped them learn the need to contemplate the truth and discover that money is not an ultimate good, then all these would have been prevented.

If they were not a person, lacking in virtue; they would not be able to create a company lacking in ethics; and hire unethical traders and not fire unethical law firms and accountants when they knew they were not being given the sound financial and legal advice they needed to maintain a good business that will exist and be profitable in the long-term..

Finally, it is significant to note that Jeff Skilling came from an elite university in the United States and the question which is important to pose is whether or not these universities focus on the development of specialist knowledge but put inadequate attention to philosophy and ethics among its students. If that is the case, then it has to be reformed because intelligence without ethics and morals causes grave harm to human life and society.