Margin call

Law

BSL 212 - INTRODUCTION TO BUSINESS LAW FALL SEMESTER 536 words Analytical Paper Ethics - “ Margin Call” One example of an ethically ambiguous activity is when the senior executives of the firm realize that the firm is about to suffer a huge loss. In response to this, the division head Jared decides that the company should sell all of its toxic assets before the market realizes that the company finances are about to take a nosedive. The CEO of the company, John, also backs this plan because it offers a quick way out for a company that is facing financial ruin. However, the investment floor head, Sam, argues that doing this will destroy any credibility that the company has left. Once customers realize what the company is doing, its actions will be exposed. This course of action was ethically questionable because it revolved around making false promises to customers who would have bought securities that would be worth nothing.

The moral philosophy from which Jared and John justify their actions is through ethical relativism. While they would not normally take such drastic actions, they feel that the situation warrants quick thinking, and getting rid of all the company’s toxic assets would do just that. While it is easy to feel sympathy for the company and its perilous position, this does not justify the actions that were subsequently taken. If they had listened to Sam, then the management could have realized that following their course of action would only worsen the situation. The problem with ethical relativism is that decisions are based on circumstance rather than a set list of rules and regulations. The reason why corporate governance is important is because it prevents actions like the one John and Jared took. Although some financial laws may seem too restrictive, there is a need for greater regulatory control, as evidenced by the start of the global financial crisis in this movie.

One moral philosophy that would have led to a different result is ethical fundamentalism. This philosophy holds the view that there is a clear right and wrong, and crossing the line can result in severe consequences. If John and Jared had adopted ethical fundamentalism as part of their decision making process, then they would know that selling of the firm’s toxic assets go against most thinking. Criticism of this moral philosophy would be that it does not allow freedom to make choices, but in actual fact it only provides boundaries by which to live by. If John and Jared would have following this thinking, the firm would have certainly experienced financial ruin, but at least some credibility would remain intact.

Another moral philosophy that would have altered the thinking of Jared and John is one of justice or fairness. This philosophy promotes equality for all. If the company had used this philosophy, then they should have known that what they were doing was cheating innocent people out of money. Some of these people were not aware of the perilous situation facing the company, so they are vulnerable. If John and Jared had announced the position that the company was in, then they would not have been able to sell off all the toxic assets. The firm may be ruined in the short term, but the risk would not have spread to other firms.