

Beat: Business

## Ethical Poverty in the Financial Crisis

### What caused that mess?

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**USPA NEWS** - The financial crisis caused chaos worldwide, want to know who to blame? Well, it's not that easy, you see, the lending culture, big banks, financial institutions, and governments were all to blame. Find out more.

Poor ethics by many parties is often seen as the root cause of the 2008 financial crisis. This includes the 734 institutions that were bailed out, the government and citizens. Its effects can still be felt around the world and calls for more effective oversight and regulation on the basis of ethics.

Bankers lent to individuals knowing there would be problems recovering debt and repackaged these loans into low-risk securities. The theory of a large number of mortgages backing securities to spread risk doesn't work if many of the borrowers have poor credit history. It's unethical for financial institutions to misinform investors to believe that the securities are low-risk when the mortgages were knowingly lent to high-risk individuals.

Some people may say that investors have the responsibility of doing their research such as looking at credit ratings and checking the background of the securities. After all, the final decision rests on the consumer right? Well, only partially, it depends on the accuracy of the information they can find. It was discovered that rating agencies such as S&P and Moody's gave triple-A ratings to subprime mortgage securities after receiving payments from the banks offering those securities. Ratings institutions should remain impartial and independent from the banks. These agencies have betrayed public trust by an unethical act of corporate collusion that can be described as bribery in many countries.

Even the government and politicians need to shoulder the blame; low interest rates increased mortgaging, concerns expressed about ethical standards of business in the World Economic Forum never gained attention because politicians feared being too judgmental. As a result, politicians failed to oversee financial institutions properly to protect their own careers. It is unethical for politicians to accept taxpayers' money for failing their duties and only protecting their own careers and not safeguarding citizens from deceit.

Even in the financial crisis, banks still paid top executives multi-million dollar bonuses for bankrupting their organizations. Citigroup even used \$400m bailout money to buy naming rights to a stadium and sponsor sports events when the money should be used to help prevent the company from going into deficit again. Spending taxpayer's money on anything other than benefitting society by balancing the company's finances cannot be ethically justified. It is disappointing to see financial organizations being financially irresponsible and misusing public funds.

Because of ethical poverty in the financial crisis; investors' lost capital, credit rating agencies lost credibility, and citizens had their tax used bail out bankrupt banks. If only there was a little less greed and a little richer in ethics, but that's not the point of capitalism is it?

(Disclaimer: this is an opinion piece and the author's view do not reflect the views of the USPA)

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