Three Ethical Roots of the Economic Crisis

Business Ethics Education Forum, organised by the Department of Management at Monash University and the Australasian Business Ethics Network (ABEN).

Keynote Lecture

Professor Thomas Donaldson

On September 15, 2008, “Dark Monday,” the world witnessed a radical reshaping of Wall Street. Lehman Brothers fell toward bankruptcy; Merrill Lynch was sold to its rival, Bank of America; and AIG pleaded for $40 billion in government relief. Those calamities marched in step with a dismal parade including the US government takeover of Fannie Mae and Freddie Mac, the bailout of Bear Stearns, and the entire subprime debacle.

We rightly blame Wall Street leaders for bungling business decisions, for misestimating risk and overloading banks with single-strategy investments. But how about ethical mistakes? Were they, too, part of the crisis? Professor Donaldson argues that among the many factors underlying the financial crisis lie three ethical roots – namely, paying for peril; the normalisation of questionable behaviour; and tech-shock.

About the speaker

Thomas Donaldson is the Mark O. Winkelman Professor at the Wharton School of the University of Pennsylvania, where he works in the area of ethics and corporate governance. His books include: Ties that Bind: A Social Contract Approach to Business Ethics (with Thomas Dunfee), and Ethics in International Business. At Wharton he has received many teaching awards, including being named twice the Outstanding Teacher of the Year. He served as Associate Editor of the Academy of Management Review and as Chairman of the Social Issues in Management Division of the Academy of Management. In 2009 he won the Aspen Institute’s Pioneer Award for lifetime achievement. He has consulted and lectured at many organisations, including the United Nations, Goldman Sachs, the World Bank, and Walmart.