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ETHICS AND GLOBAL FINANCE

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Abstract

The globalized era of twenty-first century is witnessing a drastic decline in moral and ethical standards in all spheres of life, including economics. This deterioration in moral standards is all pervasive and has assumed a cross-national and multi-disciplinary character. The article 'Ethics and Global Finance' is an analysis of our financial system in the backdrop of the recent economic crisis. Going beyond the economic dimensions, an earnest attempt has been made to bring out the reasons that emanated from the failing moral and ethical standards that finally culminated in the Great Economic Crisis of 2007-2008. It analyzes why unlike the other sectors of the economy, a deterioration of ethical behaviour in our financial transactions has to be viewed with much more vigilance. There are certain suggestive measures added towards the end of the article to improve the present financial scenario.

Key Words: Free-market ideology, shadow banking, financial sector, social contract, money laundering, fundamental reboot, ethical finance

1. Introduction

In the backdrop of the recent economic turmoil that the world has witnessed, there is an increasing urge among many economists worldwide to have a serious reconsideration of what went wrong in our economic system. The instances of outrageous financial irregularities that occurred in the world economy in general and the Western world in particular are only evidences of a deep seated malaise afflicting the world economy. Economists of various shades generally tend to attribute these ill effects to the reign of 'free-market ideology' that features 1) Lack of adequate economic regulation or oversight and 2) Inter linkage of various economies through the process of globalization that has inextricably connected the fortunes of one nation with that of others.

This tendency is not new, as during the period preceding the crisis, many eminent scholars across disciplines had warned regarding the imminent economic disaster in the face of world's mad drive behind the new trends of globalization and economic integration. For example, Susan

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Strange, Professor of International Relations at the London School of Economics coined the phrase 'casino capitalism.' She cautioned in the 1980s how the speed at which markets work, combined with their near-universal reach could result in levels of global volatility that has never been seen before.[1] Similarly Joseph E. Stiglitz, in his *The Roaring Nineties*[2] made an in-depth analysis of the boom and bust of the 1990s. Presented from an insider's point of view, firstly as chair of President Clinton's Council of Economic Advisors, and later as chief economist of the World Bank, he continued his argument on how misplaced faith in free-market ideology led to the global economic crisis.

To hold the above stated factors as the sole culprits for today's crisis would be to overlook, however, a much more fundamental problem that has gripped global economy – the deterioration of moral and ethical standards in economic and financial transactions. It is true that regulation was more lax than it should have been in many nations, especially in the USA, where the financial contagion broke out. The root cause of the problem however was not confined to a mere failure of regulation, but without a failure of personal and business ethics, it would have constituted only a technical failure that could be easily mended. The crisis was far deeper and extensive. Also during the period preceding the crisis, free markets were increasingly perceived as powerful engines providing increased prosperity to millions of people around the world. Again, there was nothing wrong in such a perception, but what we failed to comprehend is that we were experiencing only a grossly distorted form of free markets in which individual greed demolished principles of business. "There exists a world of difference between genuinely free markets and their counterfeit form – the laissez faire jungle, in which self-interest mutates into the degraded forms of greed and selfishness."[3] The economic actors in Adam Smith's free-market were indeed driven by self-interests. An aggregation of such self-motivated pursuits finally resulted in the common good. Adam Smith, however never envisaged a market devoid of ethics. Himself being a Professor of Moral Philosophy at the University of Glasgow, Smith was

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[1]Ritu Jain, "Ethics and Finance: Time for Introspection," *The Economic Times Blogs*, 16 November 2009) <http://www.blogs.economictimes.indiatimes.com> (3 June 2013).

[2]Joseph E. Stiglitz, *The Roaring Nineties: A New History of the World's Most Prosperous Decade*, New York: W. W. Norton and Company, 2003.

[3]Simon Longstaff A. O., "Ethics and the Global Financial Crisis," *Living Ethics* 74 (2008), <http://www.ethics. org.au> (2 June 2013)

aware of the significance of ethical behaviour in the smooth functioning of a free market. The version of the free market that exist today is infested with cheating, misrepresentation of facts, distortion of information and oppression of various forms, that makes it unworthy to be called a genuinely free market. We have many notorious examples of firms with falsified records, rating agencies and reporting agencies meddling with facts and financial institutions that feed on unaccounted money. All these market distorting forces are ultimately the products of a failure of ethics. The 'world of difference' that exists between Smith's free market and today's free market is the grossly differing ethical orientations they possess. It is therefore high time that we realize the interconnections of ethics and the world of finance.

2. What Is Global Finance?

The term global finance refers to the aggregation of institutions, legal agreements, and various economic actors who have a bearing on the global financial transactions. It also includes in its ambit a number of regulatory frameworks set up to oversee such global transactions. The aim of global finance is to enable a smooth flow of funds from capital abundant units to those lacking it, for the purpose of investment and trade. The World Health Organization defines global financial system as

> ... various official and legal arrangements that govern international financial flows in the form of loan investment, payments for goods and services, interest and profit remittances. The main elements are the surveillance and monitoring of economic and financial stability and provision of multilateral finance to countries with balance of payments difficulties. The organization at the center of the system is the International Monetary Fund (IMF), which has the mandate to ensure its effective running.[4]

This definition further extends global finance to the context of international trade and includes all kinds of financial flows – not just loans, but profits and interests that flow across different nations. A major emphasis has been laid on the role of various institutions in facilitating international trade flows and in providing a congenial financial environment, especially the IMF. Thus the global financial system consists of regulated entities as well as their regulators all operating on a supranational level. The system also includes some lightly regulated or non-regulated entities (consisting of

[4]"Trade, Foreign Policy, Diplomacy and Health" <www.who.int/trade/en> (13 June 2013).

hedge funds, private equity and bank sponsored off-balance-sheet vehicles used for investments in financial markets). This is usually referred to as the 'shadow banking' system and it usually evades the supervisory glance of the regulators. In other words it tends to operate as a parallel system to the formal, regulated financial market.

3. Ethics and the World of Finance

Ethics means a set of principles that is accepted as morally correct. Ethical behaviour refers to aligning one's actions to these acceptable norms. When we consider the relationship between ethics and global finance, the questions that usually arise are: Is the financial sector different from other fields by way of ethical dimensions? Is there a greater opportunity or larger temptation in the world of finance to deviate from the straight and narrow path? Is it true that people with poorer ethical standards and values succeed in the field of finance?

To the first question as to whether financial sector is different from other sectors in way of ethical dimensions, the answer could be – 'not entirely,' except for the financial dimension it possess. Our society's very existence depends, however, on mutual trust and morality. From the proposed theory of 'social contract' that explains the origins of our social existence to all other sociological theories that examine the credentials of our social institutions have mutual trust as the underlying factor. Let it be the case of individual members willingly surrendering their sovereignty to a supreme authority in the trust that they will get their genuine share of liberty without the fear of oppression, or the case of a much more micro level contract, say for example a social institution like marriage, where two individuals willingly agree to live together in the hope that it will provide them with a more fulfilling life, the one factor that ensure continuance of all these social institutions is trust. Similar is the case with our financial system – at its heart it is all about trust. Take for example the case of a financial activity like banking. The word 'credit' which is so fundamental in the banking sector is itself derived from the Latin word *credere*, meaning 'to believe.' Billions, indeed trillions of financial transactions take place every day, and all of these are based on trust. Without broad based trust and presumption of honest behaviour, it would not have been possible for the financial sector to grow to its present size and importance. The difference between the financial sector and others thus does not lie in the vitality of trust in their existence. This leads us to the second question under consideration. Is there a larger temptation to deviate from the narrow path of upright behaviour in the financial sector?

Money is required to satisfy the never-ending wants of individuals. Financial sector deals with the day to day transactions and handling of money of different volumes – starting from the small savings to huge investments worth billions of dollars. So there is a widespread perception that given a person's limited and fixed means of living and his insatiable wants, financial sector offers greater chances for an individual to deviate from the accepted ways of behaviour. The truth is that every individual faces the temptation to deviate from one's moral standards in day today life. D. Subbarao, the governor of the RBI, in his keynote address delivered at the conference on 'Ethics and World of Finance'[5] has dealt with this question in detail. He argues that a strict categorization of people into honest and dishonest persons is not possible in real life. There is always the chance for a moral person to turn around and exhibit dishonest behaviour with a change in circumstances. This being the truth concerning human nature, it can only be construed that an individual's ethical disposition depends largely on the power of the context. Subbarao therefore states that individuals working in the financial sector are inherently not less ethical. Given the environment of the financial sector, however, individuals are more susceptible to facing increased frequencies of tempting instants. The one thing that brings the financial sector under the urgent scrutiny of morality is the fact that it handles the lifelong savings of millions of investors across the world. When the goal of the financial sector insists on making more profit without evaluating ethically the means, it calls into question the enormous faith that these millions of investors has placed on the system. The allure of success that such a morally deteriorated financial system offers may tempt an increasing number of individuals to resort to unfair means. The recent case of Satyam which allegedly window dressed the company accounts for over ten years, betraying the trust of all its stakeholders is one such instance.

The third concern raised about financial sector is whether people with poorer ethical standards tend to succeed more than the upright ones in the world of finance. There is no place for such a concern as we have seen time and again, dishonest individuals and schemes that breaches trust tends

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[5]Duvvuri Subbarao, "Ethics and the World of Finance," Keynote Address at the Conference on *Ethics and the World of Finance* organized by Sri Sathya Sai University, Prasanthi Nilayam, Andhra Pradesh on 28 August 2009 <http://www.rbi.org.in> (10 June 2013).

to implode and come crashing down. They may enjoy the veil of glory for some time, but it will never last as may be the case of Bernie Madoff, the former head of the New York Stock Exchange, whose Ponzi scheme robbed millions of innocent investors of their money and looted treasuries of charitable institutions involved in building social capital. Indeed there might be many cases that might have gone unnoticed, where individuals have made their fortunes by resorting to unfair means. But the point to be noted is that there are many more cases of genuine individuals and companies that have stuck close to the path of morality without which there would have been no financial sector remaining for these unscrupulous individuals to try their luck.

4. Deterioration of Ethics in Global Financial Standards

We can attempt to understand how the failure of ethical standards hastened the onset of a total financial mess in the world economic arena. For this let us analyze the prevalent tendencies that dominate the world of business and finance during our times.

First of all, the very structure of the global financial pyramid is defective. If we analyse the distribution of wealth in our global financial system we can find that it possesses an inverted pyramidal structure. According to a study by Boston Consulting Group, the wealthiest one percent now own 39 percent of all the wealth in the world. Meanwhile, the bottom 50 percent only own one percent of all the wealth in the world combined. This means that the global financial system has been designed to funnel wealth to the very top, and the gap between the wealthy and the poor continues to expand at a frightening pace.[6] Now this is a faulty arrangement as it creates a serious disruption in the functioning of a genuine free market in the world of finance. Y. V. Reddy, the former RBI Governor, in his lecture on “Network and Circuit-breakers,” raises fundamental questions about the financial market structure.

> If there are only two rating agencies, what sort of a market is that for global finance; or if there are only two important news agencies which provide information for the whole of the financial sector, what sort of global market is that; and if there are 15 global institutions

[6]Michael Snyder, “Top 1% Own 39% of All Global Wealth: Hoarding Soars as We Hurtle Toward Economic Oblivion” and “Who Controls the Money? An Unelected, Unaccountable Central Bank of the World Secretly Does,” <http://www.economiccollapseblog.com> (13 June 2013).

which control 70 to 80 per cent of the global finance and cross-border capital flows, are we sure that it is a real market.[7]

These questions raised by Reddy are in tune with the issue of the defective market structure that we are discussing. It calls into question the ethical foundations of our financial market super structure. With very few players no market in the world can be expected to perform correctly. This is one reason why our financial market has also failed. Just like wealth is concentrated in the hands of very few, the decision making power in the world of finance rests in the hands of a few institutions. This not only makes the decisions taken by them grossly inappropriate for regional financial planning, but also goes against the liberal principles of democracy and participative decision making for which the modern world stands for. Mr. Reddy's lecture also provided an insight to networks. He said that while in telecommunications and electricity we were able to recognize what a network means and therefore introduce circuit-breakers, something similar was not done in finance. As Reddy points out the global financial system can aptly be compared to a network in which various economic actors and institutions are so closely interconnected to each other. Whether it is good or bad, the effects of what happens in one unit are carried across the different units in a circuit. This explains the need for the setting up of a circuit-breaker in international finance. In the event of any disaster occurring to any individual unit, the defective unit alone can be isolated from the circuit network and thereby the disaster can be contained within the defective unit without affecting others. This will ensure the uninterrupted functioning of the world economy. It is the intellectual failure to realize the need of a circuit-breaker in global finance that has led to the spread of the recent economic contagion across the world.

A second defect of the prevailing financial market structure is its highly volatile nature. It has got its foundations based on top of a giant debt bubble. There is about 190 trillion dollars of debt in the world but global GDP is only about 70 trillion dollars.[8] This is in violation of the basic prudential economic norm that even individuals must keep in mind – never spend beyond one's means. The financial sector in effect was pumping money from the middle class and lower strata of the society and

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[7]Y. V. Reddy, "Network and Circuit-Breakers," Lecture at the Conference on *Ethics and the World of Finance* on 28 August 2009 <http://www.rbi.org.in> (10 June 2013).

[8]Snyder, "Top 1% Own 39% of All Global Wealth," <http://www.economiccollapseblog.com> (23 June 2013).

feeding the rich. The global elite have become forgetful of their larger social responsibility and have got themselves lost in the business of money making. In the hope of making quick profits and easy money they make investments in dubious business activities by borrowing money from the tax paying middle class and also by mobilizing the savings of the society at large. A vast system of debt instruments in the form of various kinds of derivatives started getting acceptance in the financial system. Banks also encouraged the investors by resorting to unfair methods like over leveraging, provision of easy conditions of credit and weak and fraudulent underwriting practices as witnessed in the US financial sector during the time of the crisis. This debt based culture undermines the stability of our financial system and is clearly a violation of ethical behaviour.

A third disturbing tendency that has spread its roots in our financial system is the blind faith in competition. In a distorted free market economy, the corrupted market principle of 'maximum gains with minimum pains' hold its sway over economic actions. One notorious example is that of Raj Rajaratnam's who was prosecuted and imprisoned on charges of 'insider trading.' This case has acted as an eye opener to understand how rampant this problem is in the securities market. Much more alarming fact is that those in the securities business feel justified in using inside information because competition is so stiff. Assistant US attorney Reed Brodsky argued: "They know they are committing crimes, but it is OK because they need to beat competition, it is OK because they need to achieve the best, it is OK because it is really so bad. That was Mr. Rajaratnam's attitude." Federal Judge Richard Holwell concurred saying Rajaratnam's "crimes and the scope of his crimes reflect a virus in our business culture that needs to be eradicated."[9] The observation made by the Federal Judge is noteworthy as it points to the extent to which competition has made people blind to what is right. As per the final judgment, Mr. Rajaratnam received a tough sentence of 11 years imprisonment. The severity of the punishment, however, turned out to be much lesser than what the government had asked for. The prosecutors have indeed succeeded in setting an example to all those who easily tend to forsake the accepted norms of professional conduct for personal gains. The seriousness accorded to the case by the government and the severity of punishment that it stood for is also welcome, as it can be hoped to act as a

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[9]Carl Hausman, "Financial Ethics Stories Top Global News," Ethics News Line, Institute for Global Ethics, 17 October 2011, <http://www.globalethic.org.newsline> (11 June 2013).

deterrent to all others who are susceptible to committing such crimes in the future. The strict handling of such malpractices by the government and the legal system will help improve the ethical conduct in the world of finance. It is the same mad spirit of competition that led the financial institutions to numerous innovations in the form of new financial derivatives. These financial innovations led to the increasing levels of complexity in the financial sector, which the existing regulatory framework was unable to handle. The changing nature of the role of financial institutions required imminent reforms in the system of regulation, the failure of which hastened the economic downturn in the US.

Failure to resist the temptation of greed is the fourth problem afflicting our society at large and financial sector in particular. Many a time self-interest morphs into greed and selfishness. Financial entities like banks have not been able to resist the temptation of greed. This became evident in the recent 'sub-prime mortgage crisis' in the US. The 'Libor scandal' that raged in Britain involving Barclays Bank and others is yet another testimony for the 'culture of insatiable greed' that has cast its spell over the behaviour of economic units. The HSBC Group Chairman, Stephen Green, in his book, *Good Value: Reflections on Money, Morality and Uncertain World* reflects on how the human desires for exploration and exchange led us to a globalized economy and how the greedy focus on short term by many financial services companies led up to the financial crisis.[10]

In India, the scandals like the 'telecom spectrum auctions,' 'dubious coal block allocations,' etc. unravels the declining morality in the field of public finance that is slowly building up its base over the growing political-criminal-bureaucrat nexus. Several other misdemeanours on the part of senior executives, financial investment industries, real estate agents have all been reported across the world involving the loss of billions of dollars of honest taxpayers' money and illegal aggrandizements of corrupt financial executives. Equally distressing is the fact that international rating agencies shamelessly colluded with perpetrators of financial fraud. All these demonstrated the vicious hold of greed over individuals and organizations that eventually led to the destabilization of the world economy. This deterioration of morality will have detrimental effects not only in the financial sector, but also in every field of human transactions due to the fundamentality of financial sector as it possesses intricate social,

[10]Jain, "Ethics and Finance," <http://www.blogs.economictimes.indiatimes. com> (23 June 2013).

political and administrative relationships. Any disturbance in financial sector is bound to affect all the other sectors of human existence.

Fifthly, there are certain obvious categories of international finance that raise ethical questions. One is the existence of tax havens where criminals and otherwise legitimate businesses can evade domestic taxes. The second is the practice – in these havens or elsewhere – of “money laundering,” where ill-gotten gains are transformed into innocent-looking bank deposits. The age-old banking practice of not asking too many questions about the source of deposits, whether they are being elaborately “laundered” or merely kept in covert accounts is yet another practice that requires a serious reconsideration.[11] The Swiss banks giving sanctuary to Nazi funds before and after the Second World War, the scandal of Russian mafia money that came up at a select gathering of international bankers in the early 1990s after the collapse of the Soviet Union are all insidious precedents in this regard. Even today the prevalence of ‘bearer bonds’ in the international euro bond market, certain Swiss bank accounts that conceals the identity of the owners, etc., will prove helpful to those for whom anonymity is a great attraction. We must not neglect the fact that these sources of finance have also got a great deal in help breeding terrorism that casts its shadow of fear all over the globe.

Secrecy and unaccountability in controlling global finance is yet another problem faced by global finance. An immensely powerful international organization called the Bank for International Settlements is in control of global finance. It is the central bank of central banks. It is located in Basel, Switzerland, but it also has branches in Hong Kong and Mexico City. It is essentially an unelected, unaccountable central bank of the world that has complete immunity from taxation and from national laws. The Bank for International Settlements was used to launder money for the Nazis during World War II, but these days the main purpose of the BIS is to guide and direct the centrally-planned global financial system. Today, 58 global central banks belong to the BIS, and it has far more power over every economy’s performance. Every two months, the central bankers of the world gather in Basel for the ‘Global Economy Meeting.’[12] During those meetings, decisions are made which affect the lives and fortunes of millions of people, and yet many are unaware of the existence

[11]William Keegan, “The Ethics of International Finance,” *Guardian* (26 September 2001) <http://EzineArticles.com> (11 June 2013).

[12]Snyder, “Top 1% Own 39% of All Global Wealth,” <http://www.economiccollapseblog.com> (23 June 2013).

of such a body. The stakeholders do not have much say on the course of its actions. It is therefore imperative that we get people educated about what this organization is and where it plans to take the global economy.

Finally, the culture of consumerism that we exhibit adversely affects all sectors of society, including finance. Economics is the science that aims to maximize human welfare and deals with such activities as production, distribution and consumption of goods and services which are required for human wellbeing. In the recent speech given to the four newly appointed ambassadors to the Vatican, Pope Francis stated that the root cause of today's economic and social troubles is that policies and actions stem from a gravely deficient human perspective which reduces man to one of his needs alone, namely 'consumption.' We have begun this 'culture of disposal,' where human beings themselves are nowadays considered as consumer goods which can be used and thrown away.[13]

5. Suggestive Measures

If we earnestly desire to debug our economic system of all its ills, we have to initiate a fundamental review of our institutions – what a recent gathering of the World Economic Forum's Global Agenda Councils called a 'fundamental reboot.'[14] Since financial sector is only a reflection of the larger society, some solutions lie connected with the reforms in other sectors as well. What we need is a truly alternative economic model that would work better than the traditional one, not only from the social and moral perspectives but from an economic one too. For this we can adopt the following suggestive measures.

1. An effective system of regulation can do a great deal in restoring some ethics back into our financial systems. Such prudent regulations have helped to enhance the resilient nature of many developing economies of the East, including India, as witnessed in the aftermath of the global financial meltdown. Lack of adequate economic regulation or oversight means a new, invisible and at times virtual, tyranny that unilaterally imposes its own laws and rules is established.[15] So it is high time that we install an effective surveillance mechanism that gives sufficient space for transparency and puts a cap on schemes that create perverse incentives to

[13]Carol Glatz, "Pope Calls for Global, Ethical Finance Reform, End to Cult of Money," *Catholic News Service*, < http://www.catholicnews.com> (May 2013).

[14]Simon Longstaff, "Ethics and the Global Financial Crisis," *Living Ethics* 74 (2008), <http://www.ethics. org.au> (21 June 2013).

[15]Glatz, "Pope Calls for Global, Ethical Finance Reform."

cheat and take risks at others' expense. In his *Globalization and Its Discontents*, Nobel laureate Joseph E. Stiglitz shows that governments can improve the outcome by well-chosen interventions.[16] Stiglitz argues that when families and firms seek to buy too little compared to what the economy can produce, governments can fight recessions and depressions by using expansionary monetary and fiscal policies to spur the demand for goods and services. At the microeconomic level, governments can regulate banks and other financial institutions to keep them sound. They can also use tax policy to steer investment into more productive industries and trade policies to allow new industries to mature to the point at which they can survive foreign competition. And governments can use a variety of devices, ranging from job creation to manpower training to welfare assistance, to put unemployed labour back to work and cushion human hardship. Of course, there is need for a system of governance managed by individuals with high moral and ethical standards. This makes it essential to test the ethical orientation of prospective bureaucratic candidates at the stage of recruitment itself. A system of reforms in administration and governance is inevitably linked to the successful functioning of the financial sector.

2. Our enthusiasm to set up an effective regulatory framework is indeed essential. We should however avoid the folly of thinking that all risks can be eliminated by creating a culture of compliance in which no person can do anything wrong. Without understanding this fact if we try to build a strict environment operating as per the dictates of a rule book, the unintended consequence will be that no person will be able to choose; they will simply comply. The result will be a progressive loss of capacity to make responsible decisions. This will lead to a steep increase in systemic risk as we move further into a world in which individuals will think nothing is wrong unless it is proscribed by law and will tend to view every loophole as an opportunity for gain. Hence we should not choke the system with too many regulations in a manner that hinders its efficient functioning. What we need is an optimally balanced regulatory framework that provides sufficient space for discretion.

3. Most importantly we require an ethical financial reform which will make people a priority in all its policies and actions and take into account the importance of ethics and solidarity. We have seen how gap between the rich and the poor is ever widening in the present state of economic

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[16]Joseph E. Stiglitz, *Globalization and Its Discontents*, New York: W. W. Norton & Company, Inc., 2003, 218.

progress and development. This contrast of inequality must eventually be resolved and the institutional and other barriers that hinder the creation of a level playing field must be critically reviewed for reforms. Economic and social concerns must be brought back together in a healthy, harmonious relationship. For this a more inter-disciplinary approach should be adopted. Economics should not get itself constricted to the narrow 'science of wealth' definition alone. Instead it should also analyse how this wealth can be used for the betterment of society. Thus we can bridge *homo economicus* with *homo ethicus*.

4. Measures to enhance ethical finance like the revision of the Basel accord, reforming IMF, reduction of financial derivatives, closure of tax havens, setting up an international regulatory framework for banks equipped with authority and jurisdiction to penalize the erring banks and to ensure clean sources of money that gets deposited with the banks need to be put in place. Very often the people think of themselves as victims of crisis but fail to understand they are also accomplices of crisis. It is their money deposited with various financial institutions that faces the risk of ending up in tax havens or in the creation of weapons. People should learn how through ethical finance and responsible investment practices they can boost fair trade and development through whatever little savings they make. For example they can boost socially desirable and development oriented projects by investing in schemes that promote clean energy, energy conservation, infrastructural development, biological agriculture, etc. There is the problem of long gestation period involved in such schemes and as such the benefits and returns may seem rather less lucrative in the short run. In the long run, however, they can eventually influence the choices made in the financial world. They should know that in this globalized era they have got their share in shaping a just and fair global economic system and need no longer remain as silent spectators.

5. Adequate care must be taken to ensure that the young growing generation is not treading in the same paths of blind competition, selfishness and greed that have corrupted the actions of the present generation. For this, our education system should be value focussed so that the young minds are nurtured with just and humane values and they grow as socially responsible individuals capable of holding the reigns that will lead the world to a bright future. Let them understand that means are equally important as ends and that true success lies not in amassing wealth but in ensuring that everyone gets his due share according to his efforts. The analysis of Global Financial Crisis should enable them to be aware of

the dire consequences of living in a world devoid of ethics. As Subbarao argues, financial sector after all, is a reflection of the society in which it operates. He says that the approach to bringing ethical values into finance has to begin not by special efforts to enforce or regulate ethical standards in finance but by fostering a value system in society at large.[17]

6. Conclusion

A comprehensive set of reforms have to be adopted by analysing our present economic system and social institutions in the light of its lost ethical base if we intend to create an ergonomic design which will enable every individual to attain her full potential. Though there are no technical barriers to the implementation of these corrective measures, people in power and authority lack the will to get them implemented. The only way forward is therefore to put pressure on the government and the political leadership to reform the financial system. Various NGOs and pressure groups who are genuinely interested in world welfare have already started working in this direction. They create awareness among people through discussions and influence their opinion. This is exactly what we need to do to if we want to transform the masses into agents of change. As we have analysed in detail, the recent crises that the world has experienced, and all the turmoil in the financial sector, are only pointers to the deep seated malaise that has afflicted our society – the deterioration of moral and ethical standards. That is why we should not just stop by a mere recoup of our economic health. Instead the reforms should acquire multi-disciplinary character, transcending the boundaries of individual nations. By shedding the erstwhile narrow and fragmented thinking pattern that we have followed so far and by adopting a combined effort coupled with prudential planning, we indeed can boost our society’s overall recovery. Let the global financial meltdown at the dawn of the twenty-first century, be an eye-opener for the financial world to re-inject the systems with their lost ethics.

[17]Subbarao, “Ethics and the World of Finance,” <http://www.rbi.org.in> (10 June 2013).