Enron 5 Actions Alex Lundin

**LJM**

**Virtue Ethics**

A large company has ties to many people and the weight of decisions can have huge effects. These huge effects can cloud making the right decision; mainly, since there are conflicts between duties. Virtue ethics brings clarity to these issues since this theory allows conflicts between duties. Andrew Fastow had one such issue. At a certain point, Enron had collected too much debt to be sustainable by legal financial means. If Fastow reported this, there would be far reaching consequences to the company, the employees and himself. So, protect his company, his employees and himself from those consequences, he chose to use **LJM** as a means of financial deception. However, if he chose to display honestly instead, he would have made an ethical decision even though there would be many harmful side effects.

* Virtue Violated: Honesty
* Enron collected too much debt to be legally sustainable
* To protect his company, employees and himself, **Andrew Fastow** lied…A LOT!
* He chose to use LJM as a credit card to buy debt from Enron
* The virtuous choice would be to honestly report losses and accept bankruptcy

**Social Contract**

According to social contract theory, people must cooperate and stay true to agreements in order to gain the benefits of a social life. Mainly, because if people act selfishly, the community suffers. So, looking at the Enron scandal from an investing standpoint, there is a clear violation of this theory. The stock investors and Enron entered into an agreement, if Enron does well, stockholders supply them money. However, to continue getting stock payer money while the company was going into debt, Enron falsified earnings. This is a clear breach of social and legal contracts. Enron profited for awhile, but many people lost money in the end.

* Social Contract Violation: Uphold agreements
* Enron received stockholder funding under the agreement that Enron was turning a legal profit
* At a certain point Enron broke this agreement by falsifying earnings
* Stock holders had no idea of this deception so they continued to fund Enron
* To uphold this contract Enron could have reported true earnings