Money, How We Get It, and Where It GoesAccounting, Finance, and Investment Ethics

“It’s all about the money.” Well, maybe. But we have already seen that it’s about a lot more as well. It’s about success. It’s about satisfaction and self-satisfaction. It’s about doing well and living well. Nevertheless, it’s about the money. That’s what business is, among other things. And that’s what is involved in understanding business ethics as well. “Follow the money.” That’s good advice both in investigative journalism and in business ethics. Even if money is not all of what business is about, it certainly dictates an awful lot of what it is about. So what money is, where it comes from, how and where it gets invested and by whom, and where it goes are all crucial questions in business ethics. What is money? That sounds like a naive question, until one actually starts to pay atten-tion to it. What makes gold and silver, for example, so valuable? These precious metals have limited uses (filling teeth and making photo film, for instance, neither of which is all that impressive). Yet, since ancient times, they have been desired enough to kill for. To be sure, both are relatively rare. But so are hen’s teeth and baby unicorns, although there would be little interest in the market for them if they existed. But even given the extraordinary value of precious metals and precious gems, the desirability of money is something else again. Most money is paper, of no value in itself, and even metal coins are rarely worth their face value. Paper money is a promissory note, and behind the promise is an enormous network of trust. (Think about what happens when even a hint of scandal or devaluation hits the bank-ing community.) But what allows people to invest their trust this way? Why not just collect gold and hide it under one’s mattress? In the final analysis, money is worth something only because people believe and trust that it is worth something. It is worth nothing at all in itself. This mystery of money, as opposed to the illusion that money itself is what is ultimatelydesired and desirable, pervades the financial world and its ethics. Money depends entirely on trust, and trust is the stuff of ethics. Thus, the story of money and business, like the story of business ethics, is the story of trust and how it is gained and lost, how it is betrayed and, if lost, again regained. And the more abstract money becomes, the more it depends on trust. Today most financial transactions do not even involve pieces of paper, except perhaps as backup records. Hence, we can readily understand the trauma and the seriousness of the recent failure of one of the biggest auditing companies—Arthur Andersen, as well as the seriousness of conflicts of interest in the financial markets, not only as violations of authority and profes-sional responsibility but also as potentially undermining the whole financial system. Money doesn’t just sit there. Money gets invested. Indeed, as any financial adviser willtell you, money that is just sitting there (e.g., in a low-interest savings or money market ac-count) is nevertheless invested; it is just invested unwisely. Money is always at work. Money that is just sitting there still plays its passive role in the flow of markets and financial ex-change. Indeed, money owed is also part of the flow of markets and financial exchange, and people who owe thousands of dollars in debt on their credit cards and corporations that owe billions to local and foreign banks are very much players in the system. But if everyone, whether a solvent, active investor or an insolvent, even bankrupt, debtor, is part of the market, then those who actively control the market—bankers, brokers, bureaucrats, and others—have special obligations, fiduciary obligations, to those who are not so active or not so smart. The hard-edged position here is that everyone—except, perhaps, children and the feeble-minded—is or ought to be fully informed about and responsible for his or her own financial state. But this is naive, not only in the sense that it is harsh treatment of responsibility, but also because, given the abstraction and ultimate mystery of the financial world, it is expecting too much of the average and perhaps even the aggressive investor.