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Margin Call: What if John Tuld were Christian?

Thomistic Practical Wisdom in Financial Decision-Making

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Keywords:

Practical wisdom; Christian ethics; management.

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“There are three ways to make a living in this business: be first, be smarter, or cheat.”

(Margin Call – John Tuld 2011, p. 54)

1) INTRODUCTION

Margin Call (Chandor 2011) is a film which depicts the high-tension 32 hours of an investment bank that discovers that its financial holdings are essentially worthless because it has become highly overexposed in the risky trading of mortgage-backed securities and the entire market is set to implode, triggering what they know will be a global financial crisis. John Tuld, played by Jeremy Irons, is the firm’s hardnosed CEO, whose main job is to mobilize the firm around a strategy to unload the toxic assets to a market completely unaware of the catastrophe that is about to explode.

The guiding question to which this paper responds is consider what would have happened if John Tuld had acted as a Christian whose decision making process had been guided by practical wisdom.

A 2014 article by Werner, published in the Journal of Business Ethics, has already demonstrated the efficacy of using *Margin Call* in teaching business ethics. Mindful of Werner’s broader analysis of the film, most of our discussion will focus on the 10 minutes of the overnight meeting (at 44:00-53:20), and in response to this scene, extract the answer to the proposed question.

This paper taps into two main sources: practical wisdom according to Thomas Aquinas and the long heritage of Christian ethics rooted in the Gospels, applied to the particularities of high-stakes financial decision making in a crisis situation.

The choice of using practical wisdom (prudence, in Aquinas' terms) instead of another virtue is motivated by the importance of prudence in the structure of virtues: as Keenan (2002) affirms, explaining Aquinas, "the entirety of a person's moral life is governed by prudence, which is that virtue able both to recognize the ends of our natural inclinations and to bring them to realization through virtuous activity" (p. 259). Practical wisdom has applicability in analyzing complex situations, detecting their moral content and implications (Roca 2008), and safeguarding effectively the intended good relevant to the situation (Melé 2010, 2012). In addition, through this virtue, people understand what is truly worthwhile and valuable in life (Beabout 2012) and as such practical wisdom is essential for the development of one's moral personhood (Roca 2008).

In addressing this matter, this paper seeks to respond to the request from some scholars for more works on the subject of practical wisdom (Moberg 2007, Weaver 2006), applied to business leadership (Crossan et al. 2013), especially in the context of responding to crises, since these situations usually include important ethical issues that threaten a company's code, culture and values. The role of the CEO becomes crucial for protecting the moral tone of a company, accepting responsibility where appropriate, seeking to reduce limit violations to stakeholder interests, deciding on steps to take to provide appropriate compensation and taking measures to the recurrence of similar events in the future (Seeger and Ulmer, 2001).

As for the use of a case study based on a movie, the strength of this approach follows from the efficacy of dramatic narrative in the understanding of human action, and provoking moral evaluation. Much has been written on how to use films in teaching business ethics. One of the first attempts to produce a list of films or videos to stimulate discussion on moral dilemmas in business ethics classes was made by Hosmer and Steneck (1989); then others such as Champoux (1999); Huczynski (2004) wrote on the use of films as narrative. On particular films about finance, Belden (1992) wrote on *Wall Street*; Chan, Weber, & Johnson (1995) on *Other People's Money*; Van Es (2003) on *The Insider*; Cox et al. (2009) on *Enron: The Smartest Guy in the Rooms*; Biktimirov & Cyr (2013) on the documentary *Inside Job*; and the already cited Werner (2014) on *Margin Call*.

These contributions demonstrate the pedagogical value of dramatic narrative in exploring ethical dilemmas and human behavior. They represent an effective means for integrating contemporary epistemology with classical ways of understanding and thinking about ethics (Gahl 1999). Through narrative, these perspectives are reconciled, and in the words of White (1987) constitute "a meta-code, a human universal on the basis of which transcultural messages about the nature of a shared reality can be transmitted" (p. 1). As stated by McAdams and Koppensteiner (1992), studying fiction "is useful in strengthening the manager's ability to resolve specific ethical dilemmas" because it "offers a challenging and personally compelling method for managers (and management students) to improve their moral sensitivity and strengthen the decision making skills used in addressing the ethical ambiguities of business practice" (p. 627). Moreover, according to Crossan et al. (2013), movies help in developing an awareness about strengths and character, and they afford the spectator the conditions to vicariously participate in the experience of virtues and vice.

This paper is structured as follows: analysis of prudence according to Thomas Aquinas (section 2); analysis of plot, character and dialogue in the light of the virtue of prudence (section 3); interaction and comparison between John Tuld's ethics and Christian ethics in the financial context (section 4).

2) PRUDENCE IN THOMAS AQUINAS

In this section, we begin simply by summarizing the essential Thomistic interpretation of prudence. We will follow by describing the scene from *Margin Call* in which urgent circumstances force the principal characters to engage in deliberations. We will then examine how they do so and how it might have been otherwise if these deliberations had followed from a notion of prudence based on Christian ethics.

The corpus of Thomas Aquinas's work on the virtues is deep and wide. In particular, in the *Summa Theologiae* (ST), the second part of the second section deals with special virtues.[1] The discourse about the virtue of prudence is located in II-II, qq. 47-56. Prudence is defined as a virtue of reason, particularly, the quality that perfects practical reason. The well-known Aristotelian definition of prudence (or "phronesis" in Aristotle's language) as *recta ratio agibilium*[2] (Nicomachean Ethics, Book VI) is confirmed in Thomas, who states that prudence is the virtue of the concrete realization of good.

Prudence has one proper act, which is command. This act consists in the application to action of what has been deliberated and judged. Counsel/deliberation and judgment are acts that are linked to prudence (II-II, q. 47, a. 8).

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[1] The ST is a synthesis of the theologian's thought, which has God as the subject. In the consideration of God as final cause, Aquinas writes about God as the final end and about human acts, which are the means humans have to reach this end. Human acts in general are the object of the first part of the second section of the ST (the *prima secundae*, indicated as I-II); the particular consideration of human acts can be found in the second part of the second section (the *secunda secundae*, II-II). Here Aquinas lists virtues and discusses both theological and cardinal virtues. Among moral virtues he distinguishes prudence, justice, fortitude, and temperance. Each cardinal virtue has different parts: Thomas reports integral, subjective, and potential parts of each of the cardinal virtues. Generally, moral virtues are organized in relation to cardinal virtues, as if they were parts of the cardinal virtues. So the integral parts of a cardinal virtue are those moral virtues that are indispensable to the act of the cardinal virtue. Thomas Aquinas calls subjective parts, the different species of the cardinal virtue; then he speaks about potential parts, which are linked in a non-essential way to the main cardinal virtue.

[2] "Practical wisdom on the other hand is concerned with things human and things about which is possible to deliberate; for we say this is above all the work of the man of practical wisdom, to deliberate well, but no one deliberates about things that cannot be otherwise, nor about things that have not an end, and that a good that can be brought about by action." (1141b, Aristotle & Barnes 1987 p. 1802)

The aim of prudence is the concrete realization *in practice* of what one perceives as good. Moreover, prudence is not autonomous as it depends on *synderesis*. *Synderesis* is generally defined as the habit of first principles; *synderesis* can be viewed as the link between the natural law and the individual, so it makes sense to understand it as leading prudence. In a more proper way, as summarized by Porter (1996, p. 218): *synderesis* can be viewed as the "habitual knowledge of the fundamental principles of the natural law" (in Thomas, see I-II, q. 90, a. 1, ad. 2). Without entering into the complexity of the vast field of natural law, it suffices to understand that according to Aquinas, prudence depends on the "set of fundamental, innately known principles by means of which more specific moral judgments are formed" (Porter 1996, p. 217).

Studying the meaning of prudence in Aquinas, Keenan (2002, p. 263) well summarizes that: "prudence perfects" – in relation to the realization of the other virtues' inclinations due to prudence; "prudence directs", because it makes this realization happen; "prudence integrates" human appetites and practical reason, because it is the right reason about what has to be done, and also because prudence connects the other virtues among themselves.

Aquinas analyzes virtues according to their parts (see footnote 1). Prudence has eight integral parts, which are: memory, reason (*ratio*), understanding (*intellectus*), docility, shrewdness, foresight, circumspection, and caution. Memory relates to the knowledge of the past and experience; reason to the use of the knowledge; understanding refers to the knowledge of the present; docility and shrewdness refer to the way it is possible to achieve knowledge, the first through the knowledge acquired from others, the second through personal research; foresight implies an understanding of the appropriate means to an end; circumspection consists in attention to the circumstances; caution implies the capability of avoiding obstacles.

The subjective parts of prudence are personal prudence, which takes into account the good of the subject, and political prudence, which takes into account the good of the community (and can be domestic, legislative, military, or economic).

The potential parts of prudence are *euboulia*, *synesis,* and *gnome*: *euboulia* is the capability of good deliberation; *synesis* and *gnome* are capabilities of judging with rectitude respectively ordinary and extraordinary situations.

Thomas also lists and describes the vices related to prudence: those sins opposed to prudence (precipitation, thoughtlessness, inconstancy, negligence) and vices of false prudence (prudence of the flesh, cunning or craftiness, guile, fraud, over-anxiousness for material goods, over-anxiousness concerning the future).

The following table (Table 1) summarizes the aforementioned classifications regarding prudence according to Aquinas:

Insert Table 1 here
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3) THE MARGIN CALL OVERNIGHT MEETING IN THE LIGHT OF PRUDENCE[3]

Let us now review the dramatic scenes that serve as the basis for our discussion.

3.1) The plot

The film begins one morning when the investment bank is firing many of its employees, among them the chief of the risk department, Eric Dale. On his way out, Eric Dale left Peter Sullivan – a young former aerospace engineer who is now working as a risk analyst – a document he was working on. Peter continues Eric's work and discovers that based on the analysis and

[3] In this section, and in the next one, the reference pages from which the quotations are taken are from the script of the Margin Call movie. The script can be found at: http://www.ropeofsilicon.com/Images/web/template/awards/2012/scripts/margincall.pdf (accessed March 1, 2015).

given the changes in the market, the bank's portfolio of assets had become excessively overexposed to subprime mortgages that have been repackaged into tranches of securitized instruments. Without this analysis, these assets appeared to be very valuable, while in fact, they are utterly worthless. And although it isn't stated, it is implied that banks globally are all exposed to the same problem, but Tuld's bank is simply the first to wake up to a problem that is global in nature. With this, a social alarm goes off with Peter calling his friend, Seth, another young risk analyst, and their immediate supervisor Will Emerson, making them aware of an impending financial catastrophe. From there, the senior executives, Sam Rogers, who heads the trading floor (played by Kevin Spacey), Sarah Robertson, the chief risk management officer (played by Demi Moore), and Jared Cohen, the division head (played by Simon Baker) are convened for a meeting. Each of the main characters of the film experiences an inner crisis, and each responds somewhat differently. In particular, the only one who seems to have all the information about the bank's condition is John Tuld, the CEO, portrayed by Jeremy Irons, who is the final decision-maker regarding which course to take. With his arrival by helicopter in the middle of the night, the movie's momentous meeting begins, with all the main characters of the film seated at a table. Everyone keeps silent. John Tuld begins, "This matter has to be handled urgently" (p. 47).

What is happening? We are witnessing a gravely extraordinary event, one that introduces *gnome*, one of the potential parts of prudence associated with judgment. In particular, *gnome* refers to the capability of *judging with rectitude in extraordinary situations*. For sure John Tuld and his company are in the context of an "extraordinary situation"; time will tell what "rectitude" means for him or if he believes that it has any applicability to his case.

"Why doesn't someone please try to explain to me what's the problem here?" Tuld states (p. 48). He wants to be counseled. *Counsel* is an act directly linked to the exercise of prudence. When it was proposed that he read the report, Tuld replies that he wants to speak directly with the person who wrote the report. He wants to get to the source closest to the truth: “Actually I’d like to hear from the guy who put this thing together.”

“Please speak as you might to a young child or a golden retriever” (p. 49) says Tuld to Peter Sullivan. Here he demonstrates understanding and docility: he shows that he cares about authentic knowledge of the present situation and he is open to the explanations given by another person and values informed counsel. “I didn’t get here on my brains, I can assure you of that”. He then asks, “Mr. Sullivan, what does your model say that means for us here?” (p. 50). In this manner Tuld shows his “docility” or openness to the counsel of others. Here Peter Sullivan explores his model’s projection regarding what will happen to the investment bank. Even a minimum decrease of the value of the asset would result in a loss greater than the total capitalization of the company.

3.2) The technical issue: “packaging new MBS”

While explaining the situation to Tuld, Peter provides a concise summary of the situation — not insignificantly what is described is close to the real-world condition in which mortgage backed securities (MBS) were the financial instruments that enabled the tidal wave of subprime mortgages that were a key factor in launching the 2008 global financial crisis. Here is how Peter explains the situation to Tuld and everyone present in the room: “Over the last 36-40 months the firm has begun packaging new MBS products that combine several different tranches of rating classification in one tradable security. This has been very profitable as I imagine you noticed.” He is setting the scene by telling Tuld what he already knows and invoking his *memory*: the investment bank has been making enormous profit by packaging and trading on margin Mortgage Backed Securities (MBS), which combine different amounts of risk. Properly speaking, MBS belong to the larger family of asset-backed securities. Traditionally, a single mortgage would be an illiquid asset on the balance sheet of the issuer. A financial innovation that became popular in the early 2000s was the use of MBS to package subprime mortgages, which when sold would remove them from the books of the mortgage originators. A thriving financial market emerged in which these instruments were traded like other financial instruments, such as stocks and bonds. The MBS issuer (a company or "special purpose vehicle," SPV) has on its books the total amount of the mortgages, and places the MBS on the market. The money received for the MBS on the market serves to repay the original bank seller of the single mortgages. In this way, an illiquid mortgage is turned into a more liquid and tradable instrument, and in so doing is able to decrease its patrimonial requisites while increasing its ability to ask for credit. But, at the same time, it is not from the profit of the MBS trading that the original debt gets repaid, but from the payment of the mortgages on time at the fixed deadlines. Trading on margin allowed the bank to deposit less than the value of its full positions. This increases the level of risk, such that even small movements of prices may result in much bigger profits or losses, depending on the direction of price movements. If volatility exceeds certain limits the dreaded margin call may be invoked — which is a request for more liquidity in response to a decrease of the value of owned asset. A margin call occurs, therefore, when the maintenance or an established margin (which is the minimum account of equity that has to be deposit to open and maintain a position) is violated. "The key factor" continues Peter "is these are essentially just mortgages, so that has allowed us to push the leverage considerably beyond what you might be willing, or allowed to do in any other circumstance, thereby pushing the risk profile without raising any red flags".

Responsible for this phenomenon is excessive leverage, which is possible thanks to the nature of mortgages. A slight decrease of the value of MBS will lead the bank into bankruptcy. In presenting Peter's analysis to the bank's senior management it becomes clear to all that with the quantity of MBS on its books, which are now seen as toxic, the bank is on the brink of collapse.

3.3) The decision-making process: "Sell it all today!"

"The music appears about to stop", continues John Tuld, once he acquired the truth about their real situation, "and we are going to be holding the biggest bag of stinking shit ever assembled in the history of capitalism" (p. 51). This statement shows the activity of *reason* in synthetizing the available data, and *shrewdness*, in the acquisition of knowledge through personal research. The bitter conclusion also sheds light on the aspect of prudence that is *circumspection*: Tuld is paying attention to the details and circumstances in making his judgments.

Here we begin our analysis of the decision-making process. The first five minutes of this crucial meeting were dedicated to understanding the context and gathering data: it is, in other words, the time of *counsel*. Now a decision needs to be made: we have entered into the time for *deliberation, judgment, and command*.

Tuld asks the group, "Do you want to know why I'm sitting here in this chair with you all, why I get the big bucks, so to speak?" In other words, Tuld is asking the others why he is the boss. In our treatment, the issue can be proposed in other terms: Tuld is implying that his position of authority derives from his having proven himself to be in possession of a high degree of wisdom toward a defined practice, which is the business of investment banking. In this sense, what we are observing could be a case of *political prudence* in the specific field of the economy, and the realm is the investment bank, its workers, and all the people who have a stake in it.

With Peter Sullivan's exposition of the analysis to John Tuld, the act of *deliberation* begins. John has all the needed elements to assess the situation and exercise his judgment regarding what to do. He stands up and goes over to a window that looks out to the nighttime panorama of the city. He suggest that the wisdom of the financial world consists in one's ability "to guess what the music is gonna do a week, a month, a year from now".

He continues, "Now that we know that the music has stopped, what can we do about it" (p. 52)? In this he is trying to move the experience of prudence from reflection to the realm of action. However, the deliberative process isn't complete. Two characters now are brought to center stage, Sarah Robertson, the bank's Chief Risk Management Officer, and Jared Cohen, Head of the Investment Division, who are expected to weigh in with their recommendations. Before doing so, however, John Tuld outlines the essential elements for success in their business: "There are three ways to make a living in this business… Be first, be smarter, or cheat. Well I don't cheat, and even though I like to think we have got some pretty smart people in this building, it sure is a hell of a lot easier to just be first" (p. 52).

So framed, Jared Cohen translates Tuld's precept into its logical concrete actions namely, "Sell it all today…." In this moment, Tuld has shown himself to the Socrates of the school of Wall Street Profit Maximizers, because he has set up his dialog so perfectly that the outcome is ineluctably self-evident, and Jared shows himself to be Tuld's worth disciple.

With this, all the data are now on the table. The dialogue between John Tuld and Sam Rogers shows the motivations behind the choice they are going to make, revealing the characters' intentions and strengths: here *foresight*, circumspection and *caution* are important players.

Tuld says he is prepared to pay the cost of the strategy to "be first", which consists in selling everything as soon as possible.

Tuld asks Sam to simulate the actuation of his strategy. He describes an early morning session with everyone left on the team on his trading floor, with the goal of selling the entire portfolio of MBS in the bank's holdings. In doing so, they realize that what they are selling is worthless, and that they may put out of business some of those to whom they sell, and that they will have destroyed the trust that is foundational to the relations between traders and the businesses they represent. They know that not only are they violating the standard norms of business, but that their actions could invite the intervention of federal agents. Here is where the distinction between ethics and compliance is stated in blunt terms. Anticipating the intervention of federal agents, one of the company leaders, Ramesh Shah, indicates how compliance with the law provides all the cover the company needs: "They'll slow you down but it's yours to sell. They can't stop you" (p. 54).

3.4) The Elements of John Tuld's Prudence

The presented parts of prudence can be summarized in John Tuld's behavior as follows (Table 2):

Insert Table 2 here

The acts of prudence can be summarized as follows (Table 3):

Insert Table 3 here

3.5) The technical problem: "you are selling something that you know has no value"

Moral deliberation requires that the actors consider the broader context of their actions. While Sam is a leader in the bank and fully integrated into its culture, he focuses attention on both sellers and buyers and in so doing recognizes the moral complexities of the bank's actions. He asks the necessary question, "Who are we selling this to?" (p. 54). To which Tuld replies that they are going to sell to the same buyers as always. "If you do this you've killed that market for years. It's over," Sam answers realistically. "And you are selling something that you know has no value" (p. 54).

This is a crucial point. To successfully execute their strategy, the bank has to get into the market before others realize the legitimate value of the goods. This practice leads to at least two levels of analysis: technical (and legal) and ethical. Technically, it is the act of selling a product without value. The Security and Exchange Commission (SEC) states in the Security and Exchange Act that "It shall be unlawful for any person, directly or indirectly […] a) To employ any device, scheme, or artifice to defraud, b) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or c) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person; in connection with the purchase or sale of any security" (U.S. Securities and Exchange Commission 1934, 10b-5). Connected to this rule is the 10b5-1 Rule, introduced in 2000 with the aim of defining insider trading. Rule 10b5-1 states that "a person trades on the basis of material nonpublic information if a trader is "aware" of the material nonpublic information when making the purchase or sale". Based on these rules and on its Standard of Practice, the CFA (Chartered Financial Analyst) Institute speaks about the integrity of capital markets (CFA Institute 2010) citing a particular category of violation of market integrity, which is the "material nonpublic information" (Standard II-A). The Standard on Material nonpublic information states that "Members and Candidates who possess material nonpublic information that could affect the value of an investment must not act or cause others to act on the information" (2010, p. 6). In the case of *Margin Call*, we witness events from the perspective of the seller: the decision the board is taking during the meeting is to ask the bank's traders to sell products that they know have a lower value than the sale price. As the movie unfolds, the audiences is shown the change in the buyers' reactions as trading community wakes up to what is unfolding and the buyer comments go from friendly when buying shares at over $90 apiece to contemptuous when they are being sold at less than a dollar before day's end.

The CFA Standard of practice handbook states that "serving the best interests of the investing clients and employers lies at the heart of what collectively must be done to ensure a sense of trust and integrity in the financial markets" (2010, p. 1). This passage helps in the analysis of the ethical point of view on the Margin Call case.

In *Margin Call*, the decision of the bank's board's opens different levels of moral evaluation. First, management's choice itself demonstrates a deliberate willingness to sell valueless products, using material information non-public. Therefore, this selling implies a manipulation of the market and, in this sense, could be considered, cheating. Secondly, the consequences of this choice on clients and traders have to be considered. Clients will be damaged buying products worthless without being appropriately warned of the loss they will incur; and traders will lose their reputation in the market, by being induced to unwittingly participate in unjust actions, since these actions will have direct and dire consequences on the lives of many others, and yet, they are being carried out without regard for what is "right" (in the sense of Aquinas' definition of justice, II-II, q. 58, a. 1).

3.6) Is Tuld astute or prudent? Vices of false prudence

Let's examine Tuld's behavior from both a technical and a moral standpoint. The dishonest end that Tuld's strategy is pursuing is evident. Moreover, Tuld tells Sam: "We are selling to willing buyers at the current fair market price, so that *we* may survive, Sam." So Tuld is pursuing the good of his company (or, part of his company), at the price of the good of the buyers and sellers: the former will lose money, the latter will lose their reputation, which is the essential stock-in-trade of a trader in the financial market.

Tuld's strategy depends on craftiness, in the Aquinian sense, in choosing the means conducive to the end through dissembling and outright falsity. He also shows himself to be a master of guile, the trait by which craftiness is applied to thoughts and action so as to convince others that what is dishonorable is in fact a good solution (II-II, q. 55, a. 4). The purpose of guile is to deceive by words and emotions. Fraud, too, has deception as its object, and has much in common with craftiness as well. The difference between guile and fraud lies in the fact that both consist in the execution of craftiness, but guile in its general aspects operates through the manipulation of words and facts, while fraud consists in the execution of craftiness through deeds (II-II, q. 55, a. 5). Through the elaboration of his strategy and overseeing its execution throughout the trading day under Sam's management, Tuld is showing all the attributes of craftiness, and fraud, calculated to preserve his company at all costs, and in this way, he manifests a *false* prudence.

Aquinas also lists also solicitude for temporal matters and for the future as deviations from prudence. Solicitude for temporal matters "may be unlawful in three ways," Aquinas states (II-II, q. 55, a. 6): 1. When the seeking of temporal things is an end; 2. If there is too much earnestness in the attempt at obtaining temporal things; 3. Fear of lacking necessary things. The point about this issue raised by Aquinas is in the correct order of reality: "temporal goods are subjected to man that he may use them according to his needs, not that he may place his end in them and be over-solicitous about them" (Aquinas, ST II-II, q. 55, a. 6, ad. 1). This, however, is exactly the modus operandi of Tuld: his search for money (i.e., "temporal things") is an end, and he is not in a transparent situation of earnestness towards his colleagues and stakeholders. Although Tuld does not demonstrate all the vices typically in opposition to prudence (precipitation, thoughtlessness, inconstancy, negligence), he does show stark and strong deviations from prudence.

Aquinas describes covetousness as the root of all the listed deviations. Covetousness is “the first sin in order of execution, Aquinas observes, since it desires what become the means for the commission of other sin (I-II, q. 84, a. 2)” (Sweeney 2002, p. 162). Aquinas lists covetousness as the chief vice related to prudence. Might we say that craftiness, guile, and fraud derive from covetousness? Yes, says Aquinas (II-II, q. 55, a. 8). They are deviations from prudence. Therefore, the strong affirmation “I don’t cheat” (p. 52) is another manifestations of Tuld’s guile.

The contrast of two of the lead characters in *Margin Call,* John Tuld and Sam Rogers, is revealing. They are both skillful and clever professionals. Sam knows how to technically realize Tuld’s ends above all through his ability to mobilize his troops and lead them into battle. He dares to pose a few questions to John to make him aware of the risks and wider implications of their actions: “If you do this, you’ve killed the market. It’s over;” “You are selling something you know has no value”; “You’ll never sell a thing to any one of them again.” These exchanges between Tuld and Sam allow the viewer to gain a deeper insight into the full significance of the actions that are taking place and the nuances within the ethical framework within which they operate. “I obviously don’t have all the information that you do” – Sam states – “But I think this could destroy this firm” (p. 58). Sam appears to have a deeper level of moral awareness and sensitivity, but not enough to lead him to oppose policies he knows to be wrong. He continues: “You’ll never be trusted again. You are knowingly putting people out of business” (p. 59). The meeting ends, and each character goes to execute the attack knowing fully well the practical and ethical implications thereof.

In Aquinas’ terms, Sam seems to better exercise foresight, circumspection and caution, but he did not win the debate with Tuld and he chose to act as a key agent in implementing what he knows is a destructive strategy. Why? Because by the logic of financial markets, effectiveness is rewarded more than excellence, in MacIntyre's terms (2007). In the dialogue between Tuld and Sam the substitution of what is *good* with what is *effective* (Horvath, 1995) is evident. Sam perceives that there is a lack of goodness in their decision, but he is in need of money, and at the end he accepts Tuld's strategy.

The meeting ends, and each character now must execute what was just discussed. The sunrise marks the start of a new day in which the strategy that is about to be launched is sure to trigger a global crisis, but which may result in salvaging Tuld's investment bank.

Outside the meeting, John assess the situation in speaking with Sam:

> "When did you start feeling so sorry for yourself, it's unbearable... What, you think we may have helped put some people out of business today? That it's all just for naught? Well you've been doing that everyday for almost forty years Sam. And if all this is for naught then so is everything else out there. It's just money, it's made up, a piece of paper with some pictures on it so we don't all kill each other trying to get something to eat. But it's not wrong and it's certainly not any different today than it's ever been. Ever. […]We can't help ourselves, and you and I can't control it, stop it, slow it, or even ever so slightly alter it... We just react... and we get paid well for it if we're right... and get left by the side of the road if we're wrong." (p. 93). "There's going to be a lot of money to be made coming out of this mess" (p. 94).

The last, lonely scene of the movie, shows Sam in the acting of burying his dead dog in front of his ex-wife house. It is quite significant. He is a man alone at night burying what he loves on the property of what had previously had been his family. What remains of meaning for Sam? Not much that is hopeful or good.

4) CHRISTIAN ETHICS IN LEADING A FINANCIAL COMPANY

Let us now consider how a manager might respond to this situation if he or she were guided by Christian ethics.

4.1 The difference in a Christian manager

Who is John Tuld? What makes him a character worth studying in an ethics case study? Earlier in our discussion we quoted Tuld as saying, "I didn't get here on my brains, I can assure you of that." He doesn't say it, but clearly he didn't achieve his position through his moral sensibilities either. So what is it that qualifies Tuld to be the CEO and a person with such a commanding presence throughout the universe of this bank? His response to that question is, "I'm here to guess what the music is gonna do a week, month, a year from now." Fair enough, Tuld is CEO because he can sense the movements in the world of finance. But there is something else he does that is so basic that it goes unsaid — just as it goes unsaid in most discussions of business — which is Tuld *knows how to make money and how not to lose it*. If profit maximization were a religion, Tuld would be the saint who personified its central virtue. But when we step outside the logic of profit maximization, Tuld character is laid bare for its utter wont virtues and, in particular, his lack of prudence. But what if he were Christian? Following Argandoña (2015), we pose a key question: what is different in a true Christian manager, who is guided by Christian values? The point to be analyzed is the difference between a virtuous professional and a Christian virtuous professional. Faced with the same situation and means, a virtuous business leader or CEO would try to combine profit, with human development, and value creation. A Christian entrepreneur or CEO would see the same possibilities on one hand, and would act knowing that he or she is called to imitate Christ, with Christ serving as the model for actions in business and out (Pontifical Council for Justice and Peace 2013). Christian ethics is strongly anchored to the imitation of the person of Christ (see the Gospel of Matthew ch. 19 v. 21, when Jesus said "if you wish to be perfect come, follow me"). A Christian manager is aware of being inserted into a wider narrative, not just of human history, but a transcendental history of salvation. The Christian manager partakes in the history of a child of God, in whom Jesus Christ himself can live (John Paul II 1993).

Christian ethics has always been nourished by the narrative embodied in the person of Christ. The moral measure of each action is its closeness to Christ's conduct. Thus the surpassing justice of the Sermon on the Mount (Bible, Gospel of Matthew ch. 5, 1-12) that includes mercy and love is central. Since early Christianity that took up Stoic philosophy, justice and love are the twin principle for social life (Schlag 2012).

Where does the Christian perspective make the difference? The ideal of success for a Christian manager is not counted in financial wealth or even in personal perfection, but by making oneself available to holiness by striving to imitate Christ in every aspect of our lives, including the conduct of business. For Christian business leaders this implies that rather than exclusively focusing on quarterly profits, they should maintain the ultimate long-term perspective.

"What does he [Aquinas] say about the person who is without charity but has acquired prudence?" (Keenan 2002, p. 266). Aquinas states that virtues without love are still virtues (cf. II-II, q. 23, a. 7, ad 1, 3), but there is a specificity of Christian ethics (see also Pope 1991). In particular, with regard to prudence, Aquinas concludes: "Now for prudence to proceed aright, it is much more necessary that man be well disposed toward his ultimate end, which is the effect of charity, than that he be well disposed in respect of other ends, which is the effect of moral virtue"

(I-II, q. 65, a. 2). Summarizing Aquinas, Keenan states that, "Prudence measures whether an action has attained the mean. Charity measures whether one loves God to the greatest possible extent" (Keenan 2002, p. 267). Charity perfects prudence, confirming the centrality of love as a specificity of Christian ethics.

Christian Ethics enlightens financial decision-making by giving the sense of application of virtues steeped by charity as fundamental principle (Benedict XVI 2005).

4.2 Returning to John Tuld in the light of prudence and Christian ethics

Let us now bring together these different strands of thinking by asking ourselves how Tuld's behavior might have been different if he were acting as a Christian. We offer three main points.

1. Norms. In this story, John Tuld complies with accepted norms when they serve his purpose. He neutralizes his moral position shielding behind the compliance with norms (Werner 2014). Elsewhere in the film in talking with Sam, Tuld describes their role as follows: "You and I are salesmen Sam, we sell" (p. 56). Sales can be as honorable a profession as any other one, but to be so, it depends on truthful relations between buyers and sellers, without fraud or deceiving. Were the behavior of Tuld and others guided by Christian ethical teachings, they would not be bound just by legalistic compliance , but also by the observance of essential moral teachings found in the 7th and 8th commandments (respectively "do not steal" and "do not bear false witness against your neighbor", Catechism of the Catholic Church, 1993, 2401-2513).

2. Money. Tuld is a profit maximizer. He does not want to lose. He is not concerned with what is good for the market or other people. He will save his own firm even if it involves sacrificing the global economy in doing so. "If you do this, you've killed the market for years" (p. 54), Sam tells Tuld, to which he replies, "We are selling to willing buyers at the current fair market price,

so that WE may survive, Sam." Tuld is a businessman in which notions of "win-win" and the greater good are social niceties that will not be allowed to get in the way of market conquests.

If Tuld were to respond as a Christian, he would draw on the kinds of prudential reasoning Aquinas articulates all with the aim of seeking to mitigate the degree of suffering that would be experienced by people everywhere. His locus of concern would have to be not just the survival of his firm, but managing a crisis with global implications. By ruthlessly pursuing his "being first" philosophy, he knowingly triggered a global financial tsunami. If instead, Tuld had thought, "Do unto others as you would have them do unto you," the way forward would have been to seek to manage the crisis so as to minimize the impact of its destructive force. For example, he would have probably requested the help of same-level CEOs, or gone directly to the Treasury/central bank. Whatever the particulars, he could have sought for the most creative and constructive strategies to respond to the crisis that respected the interests of his firm without sabotaging his neighbors in the business community.

A manager guided with Christ as model, would reshape his preferences and priorities. The application of both practical rationality and instrumental rationality makes the decision-making process complete (Melé 2010), and allows the manager to decide not just about tasks — about the *how* — but also about ends (Longenecker 1985). For a Christian manager that end would be Christ's commandment of love.

3. Being first and smarter. "Be first" is Tuld's guiding strategy. As a third point, being astute, according to Aquinas, is not a virtue, but a vice of false prudence related to the application of the intelligence to the pursuit of ends not good in themselves. According to the Thomistic interpretation of prudence, the trait of being astute is understood to refer to those who are smart in the evaluation of means without being guided by a good aim. Tuld embodies this trait.

If, however, he were Christian, the means he chose would have been subordinated to the higher aim of imitating Christ, who represents the perfection of every virtue.

One of the major contributions of Aquinas to Western civilization was in creating a bridge between Christian theology and Aristotelian ethics. This is notable because Aristotle affirms that the purpose of studying ethics, is "to become good", not just "to know what excellence is" (Nicomachean Ethics 1103b; Aristotle 1984, p. 1743).–In the case of *Margin Call*, what would it mean if Tuld aimed to be an ethical man and not just an ethical bystander? In the movie, Tuld is following the precepts of instrumental rationality – his *how* – and his actions are motivated by the axiom of "material acquisitiveness" – his *why* (Dobson 1997, p. 5). "Individuals always prefer more wealth to less", state Copeland & Weston (1988, p. 80). For John Tuld, re-establishing the final end would mean widening his existential perspective and re-shaping his priorities, such that material goods might be regarded as important, but subordinated to the higher good of virtue.

If this were to occur, we would have to envision a very different person than the John Tuld portrayed in this movie. In this case, we would see a person guided by a humanist renewal that gives importance to all the faculties of man, rather than a person whose dignity is defined in terms of his material acquisitions.

Moreover, from this Christian perspective good and evil exist and are distinguishable, not just normatively. Christian ethics assumes the existence of a natural law (Pinckaers, 1995). Tuld seems to ignore, that there are actions, which are unjust, simply, should not be carried out, even if omitting this decision means losing or winning less money, it must be avoided (e.g., selling assets without any value). In this particular situation, the financial checkmate will leave behind many losers, but Tuld does not want to be among them. He prefers being a moral loser to being a material loser.

As we draw to the end of our analysis, there is an important question we need pose. Is it possible and would it really be realistic to imagine that there could be a viable and valuable Christian alternative to Tuld's behavior? We think there are authentic and more salubrious alternatives to Tuld's destructively profit maximizing mindset. To get there, we must be prepared to embrace new ideas rooted in ancient wisdom on what is the purpose of business and even life itself can be. Tuld would need to rethink essential questions and, in essence, move from "penultimate questions" about "what" to do, to what might be considered ultimate questions about "why". The real question shifts from "What would you do according to your preferences?" to "What would you choose your preferences to be?" (cfr. Hartman 2008, p. 319), and again "why would you choose this order of priorities".

We are now about to ask our final question. Human beings are guided by a sense of purpose. In the case of John Tuld, his conscience is capable of selling something valueless without worries for his reputation. His meaning horizon ends with death along with his thirst for money. What kind of man does John Tuld want to be? Ultimately, this is a question that Tuld and every person must ask themselves. The way one behaves does not only change the course of events, but it changes oneself (Aristotle, Hartman 2006). The human sense of transcendence helps in answering this question, but the Christian perspective here goes further. Only "Christ […] fully reveals man to man himself and makes his supreme calling clear" (Second Vatican Council, Gaudium et Spes 22). So the person I want to be is the person I want to imitate. "The virtuous person, acting on his or her own character, is often held as a model of appropriateness, credibility, suitability, and character. Because the virtuous serve as role models, those in leadership positions, including CEOs, can be expected to exemplify admirable and laudable traits" (Seeger and Ulmer 2001, p. 371 from Liebig 1990). In the Christian perspective, this person is Christ. A good, virtuous manager could do great work for his firm, his workers, and he contributes to the common good of society. A virtuous Christian manager does the same, having in mind that every person he deals with is another Christ. For a Christian, the message of Christ is not only a way of behaving or a social program, but Christ himself.

5) CONCLUSIONS

Margin Call takes place mostly indoors. This physical perspective is reflected in the inner world of the characters of *Margin Call*. They fail to evaluate their *why*. The assessment of *why* presupposes the development of a theory of moral narrative. Closed in their investment bank, they can just assess the *how*. Ethics makes them participants in the narrative of the world they have around them: it makes them see their being part of a greater whole.

The case of John Tuld opens our eyes to the position of the virtue of prudence in classical and Thomistic thought. Prudence is truly prudence only if it is at the service of the other virtues. Prudence is “that virtue of practical intelligence and judgment which itself cannot be possessed unless the moral virtues are possessed” (MacIntyre 1990, p. 130)

To demonstrate this, the case of John Tuld is paradigmatic. He seems to embody all the aspects of the virtue of prudence from a worldly profit-maximizing perspective, but that in truth, that leads him to be crafty, not prudent. From an Aristotelian perspective, the value of justice and friendship as virtues of the will are higher than the virtue of prudence as virtue of the reason. Justice and friendship lead the just person to take care of others and seek to create a more flourishing society. But because Tuld’s purpose has been hijacked by a misguided notion of what is valuable and good, he is not only deceitful and rapacious, he is placidly ruthless as he unleashes the economic storm that will lead to social destruction rather than flourishing.

The specificity of Christian ethics lies in the drivers of human action: the imitation of Christ and the centrality of love. These perspectives nourish the life of a Christian manager. If John had been guided by Christian moral teachings, the movie would have ended differently.

Margin Call is an excellent story that strikes close to the truth of the economic crisis that crippled the global economy in 2008. This movie leaves us with a sense that Tuld was smart because he knows the way the financial world works. What it fails to do is to clearly show that there are alternatives and one such alternative can be found in an approach to management that is informed by a deeper and more humain purpose inspired by spiritual principles. What would have happened if John Tuld were Christian? We can only speculate, but such speculation is a worthy exercise, because when the next crisis strikes, wise management could pave the way for social responses that are capable of leading financial agents out of the crisis with dignity rather than one in which societal carnage is the price that is paid so that a few can be satisfied with their conquest by being first out of the gate.

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Table 1

<table>
<tr><td colspan="3">PRUDENCE (ST II-II, qq. 47-56)
Definition of prudence, qq. 47-48</td></tr>
<tr><td rowspan="2">Acts of prudence</td><td>Acts linked to prudence</td><td>Counsel/deliberation
Judgement</td></tr>
<tr><td>Principal act of prudence</td><td>Command</td></tr>
<tr><td rowspan="3">Parts of prudence</td><td>Integral
q. 49</td><td>Integral parts of prudence as a virtue of knowledge:
1. Memory
2. Reason (ratio)
3. Understanding (intellectus)
4. Docility
5. Shrewdness

Integral parts of prudence as imperative virtue:
6. Foresight
7. Circumspection
8. Caution</td></tr>
<tr><td>Subjective
q. 50</td><td>- Personal prudence
- Political prudence
o Domestic
o Legislative
o Military
o Economic</td></tr>
<tr><td>Potential
q. 51</td><td>- Euboulia
- Synesis
- Gnome</td></tr>
<tr><td rowspan="2">Vices opposed to prudence</td><td>Vices in evident opposition to prudence
qq. 53-54</td><td>By a defect of prudence
- Imprudence

By a defect of a requisite for prudence:
- Precipitation
- Thoughtlessness
- Inconstancy
- Negligence</td></tr>
<tr><td>Vices opposed to prudence by way of resemblance
q. 55</td><td>- Prudence of the flesh
- Cunning or craftiness
- Guile
- Fraud</td></tr>
</table>

		- Over-anxiousness for material goods - Over-anxiousness concerning the future
	Root of the vices of prudence q. 55	Covetousness

Table 2

Prudence as virtue of knowledge		
Memory	Knowledge of the past	The knowledge of the past in the case of John Tuld relates to the data about the past (volatility index and historical series). This is the knowledge that Peter Sullivan has and shares.
Reason	Way of using the knowledge acquired	Tuld applies what he knows to what he chooses to do.
Understanding	Knowledge of the present	The acquisition of present knowledge for Tuld is achieved thanks to Peter Sullivan's explanation. He has related the data to what he knows happened in the Investment Division and to what Peter shared with him.
Docility	Capability of knowing through the counsel and experience of the others	Tuld can be seen as "docile" in the Thomistic sense in various ways, such as when he asks Peter to explain the situation "as you might to a young child or a golden retriever."
Shrewdness	Capability of knowing through personal research	His presence in the overnight meeting shows Tuld's will to be personally informed and his way of using the truth he has obtained to achieve his desired ends.
Prudence as imperative virtue		
Foresight	Capability of proportioning present means to the future purpose	In general, in the world of finance this virtue could be translated as not investing more than one has, or more than it is reasonably possible to loan. The technical instrument to guarantee foresight in financial markets is margin. In the case of Tuld, what it is possible to notice is the proportionality of the decision he makes to the future purpose he has in mind, which is to do whatever is needed to minimize the loss of money.
Circumspection	Observation of circumstances in linking means and ends	In general, this could be viewed as being conscious of the state of the market. Tuld's circumspection consists in his availing himself of the data he acquires about the present situation so as to achieve his desired end.
Caution	Capability of avoiding obstacles	Put in vocabulary of financial market, this would represent the capacity to minimize the impact of

		financial crises. In this sense, Tuld finds himself in the middle of a financial and inner crisis. His caution is manifested in his strategy to avoid the obstacles to achieve the desired outcome of minimizing losses. In this case, his specific obstacles include: limited time, market functioning, reputation, potential “arrival of the Feds,” future of the institution.

Table 3

Acts linked to practical wisdom		
Counsel/ Deliberation	The subject studies what his means are and poses them in relation to his ends. He takes advantage of being counseled by others	"Why doesn't someone please try to explain to me what's the problem here?" (p. 48) "Actually I'd like to hear from the guy who put this thing together" (p. 48) Tuld's deliberation is exercised in his listening to Peter's explanation of the implications of his data.
Judgment	In judgment, the subject establishes which of the considered means in the phase of deliberation can be suitable to reach his end	Jared Cohen decides which way to follow Tuld's assessment: "Now that we know that the music has stopped, what can we do about it?" (p. 52) and expresses the anticipated judgment : "sell it all today…."
Proper act of practical wisdom		
Command	The act of applying to the operation the things as judged. The purpose of practical reason is to realize what the agent sees as good	John Tuld puts into action the decisions made. What does John Tuld see as good? John Tuld sees "selling to willing buyers at the current fair market price" (p. 54) as good. And when Sam questions the long term impact on the firm's reputation, Tuld replies, "You let me take care of that" (p. 58).