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# ‘Margin Call’: Using Film to Explore Behavioural Aspects of the Financial Crisis

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Received: 22 November 2012 / Accepted: 17 June 2013 / Published online: 26 June 2013  
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**Abstract** The aim of this article is to show how the critically acclaimed and award winning film *Margin Call* may be used in business ethics teaching. Set in a fictional investment bank at the dawn of the financial crisis, the film zooms in on the motivations and decision-making of people who had much to lose from the crash of the hitherto very profitable mortgage-backed securities market. The film offers rich material for analysis of behaviours that contributed to the crisis. The article will set out topics for classroom discussion, including the impact of incentives and power structures, contextual factors that distance people from the consequences of their actions, and considerations of how the banking industry may be transformed.

**Keywords** Financial crisis · Film · Teaching · Descriptive business ethics · Rationalisations

## Introduction

There are few events that have had such profound effects on the economy and society at large in recent years as the financial crisis, which forced governments to bail out banks that were ‘too big to fail’, and which, in turn, led to massive national debts and affected governments’ ability to provide social welfare and stimulate their economies. As the world has been watching the financial crisis and its aftermath unfold, one could not help but wonder how this crisis was allowed to happen.

Numerous books (e.g. Mason 2009; Barth 2009; Stiglitz 2010) and documentary films such as *Inside Job* (Biktimirov and Cyr 2012) have been attending to this question. They map out the complex interactions between global structural imbalances with regards to trade, saving and investment and government debt; a deregulated financial market; low interest rates and the availability of cheap credit; the development of new financial instruments enabling the securitisation of risk and thus allowing for the pushing of subprime loans and mortgages; a subsequent increase in banks’ leverage; credit agencies’ failure to appropriately rate the risk of securitised investment products involving subprime mortgages; a failure to predict the end of the housing bubble; and the banks’ short-term bonus culture.

The critically acclaimed and award winning film *Margin Call*—written and directed by J. C. Chandor and released in late 2011 ([www.imdb.com/title/tt1615147/](http://www.imdb.com/title/tt1615147/))—paints a fascinating complementary portrait of the financial crisis. The film zooms in on the inner workings of a fictional investment bank at the dawn of the financial crisis that had much to lose from the impending crash of the hitherto very profitable mortgage-backed securities (MBS) market. Following a young risk analyst’s discovery that the bank is heading for substantial losses, the film traces the decisions made by the banks’ managers that culminate in the ‘call’ to sell off the bank’s toxic assets before everyone else does. The film’s focus on motivations, behaviours and rationalisations in a situation that calls for a decision that will have highly destructive consequences for a wide range of stakeholders makes it a powerful teaching tool for business ethics teaching. The aim of this article is to draw out important themes of the film that can be utilised for teaching in general business ethics as well as in financial ethics classes.

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*Margin Call* follows a series of feature films released in the past few decades that offer dramatised treatment of business ethics-related topics including sexual harassment (*Disclosure* [released in 1994], *Nine to Five* [1980]), discrimination (*Philadelphia* [1993]), whistle-blowing (*The Insider* [1999]), lobbying (*Thank you for Smoking* [2005]) and human rights abuses by corporations in third world countries (e.g. *The Constant Gardener* [2005]).

*Margin Call* can be regarded as a successor to those films that have depicted the life-worlds of salesmen (e.g. *Glengarry Glenn Ross* [1992], *Death of a Salesman* [1985]) and financiers (e.g. *Wall Street* [1987], *Other People's Money* [1991]). In fact, observers (<http://www.imdb.com/title/tt1615147/reviews>) have described *Margin Call* as an amalgamation of *Glengarry Glenn Ross*, which uses an ensemble cast to depict the morally ambiguous and soul-destroying experience of real-estate salespeople selling bogus land deals, and *Wall Street*, which, starring Michael Douglas as ruthless investor Gordon Gekko, introduces the audience to the aggressive, and often illegal, tactics in the world of high finance in the 1980s. *Margin Call* takes place in a similar yet updated context as *Wall Street*—the 2000s financial crisis—but by using an ensemble cast as in *Glengarry Glenn Ross* rather than focusing on only one or two central figures, the film draws out the range of tensions that a bank's employees and managers at different levels of its organisational hierarchy experience (see Hassard and Buchanan 2009).

Full-length films—both feature and documentary—have increasingly been recognised as an effective teaching tool in management education. They help bring to life management topics, and abstract ideas, concepts and theories related to the workings of organisations (Huczynski and Buchanan 2004; Hassard and Buchanan 2009; Berger and Pratt 1998). Feature films in particular offer a more dramatic, engaging, motivating and memorable experience than conventional classroom methods (Hassard and Buchanan 2009; Hassard and Holliday 1998), not least because of their ability to depict emotional aspects of experience (Hassard and Buchanan 2009). They provide a window into worlds that are normally inaccessible to students as well as offer opportunities for 'naturalistic generalisation', that is, discussion on how the film could be relevant to their own life-worlds (ibid).

It is important, however, to be aware that film narratives are highly selective (Hassard and Buchanan 2009) and are their creators' (subjective) accounts of reality (Huczynski and Buchanan 2004). This may leave the film open to criticism of depicting an unrealistic, exaggerated or sensationalised view of the world, and may leave audiences vulnerable to manipulation (Hassard and Buchanan 2009). Brewis (1998), for example, argues that the depiction of sexual harassment in *Disclosure* (with a highly eroticised

woman cast as the harasser) could be seen to 'generate understandings that attribute at least some blame to the recipient of harassment'. Denzin (1991), similarly, criticises *Wall Street* for failing to interrogate the inner market structures that produce unethical commodity trading, which leaves the ethical contradictions that lie at the heart of (deregulated) market capitalism unexamined and thus reduces the film's narrative to a simplistic morality tale.<sup>1</sup>

*Margin Call* tells a gripping story and features a cast of well-known film stars, which should motivate students to engage with the film's topics, especially because the story is mainly told from the perspective of younger bankers. The film may be criticised, however, for the fact that it simplifies events by cramming them into a much shorter time space than would have been the case in real life (for a more accurate account of how events may have unfolded for an investment bank in the financial crisis a television serial might have been more appropriate). Also, the plausibility of the narrative may be somewhat called into question by making a young, lower level member of staff the person who triggers off events. Finally, being primarily a film that focuses on people and their interactions with each other, *Margin Call* does not explain the broader context of the financial crisis and only gives brief glimpses into how banks were implicated in the crisis through the development and trade of securitised investment products and their active pushing of subprime mortgages.

Critics and reviewers have found, however, that the film presents an authentic depiction of behaviours within investment banks (<http://www.imdb.com/title/tt1615147/reviews>), which was aided by the fact that the film writer-director's father used to be an executive at Merrill Lynch (Turan 2011). The film thus provides valuable material from which lessons about human decision-making and behaviours within corporate contexts can be drawn. *Margin Call* also overcomes the limitations of *Wall Street* that Denzin (1991) pointed out (see above). Unlike *Wall Street*, the film does not simply focus on characters that some might call 'ruthless', 'greedy' or 'bad apples', rather, it provides insights into the complexity of human motivations and how they might be influenced by organisational priorities, structures and culture. The film also critically examines the links between the behaviour and practices of investment banks and wider societal values and priorities, thus telling a more complex story than *Wall Street*.

This article contributes to the growing number of scholarly articles on teaching (business) ethics with films.

<sup>1</sup> A slightly different view regarding the film's merits is provided by MacDonald (2010b) and Shaw (2012), who argue that Gordon Gekko's 'greed is good' speech at an AGM is a useful focus for discussions around effective corporate governance (MacDonald 2010b) and the shareholder versus the stakeholder view of the corporation (Shaw 2012).

One set of these articles report on empirical research, carried out to determine the instructional value of specific films among their students (e.g. Berger and Pratt 1998) or the change in students' moral attitudes after exposure to a film on a business ethics theme (e.g. Cox et al. 2009). In another set of articles, authors set out specific suggestions for how to use a film for teaching, by outlining lesson plans (e.g. van Es 2003) or topics and questions for classroom discussions (e.g. Chan et al. 1995; Shaw 2004; Champoux 2006; Biktimirov and Cyr 2012). Most of these articles are underpinned by the application of ethical theory.

This article contributes to the second set of articles, as it sets out a range of topics that students may explore with the help of the film in teaching sessions. But in contrast to the articles mentioned above, this article draws mainly on *descriptive* business ethics and management literature, which has explored how contextual factors influence behaviour and rationalisations of organisational members and interact with their motivations (e.g. Jackall 1988; Vredenburg and Brender 1998; James 2000; Anand et al. 2004; Heath 2008; Roberts 2001a, b), in addition to drawing on some normative concepts (e.g. social contract theory, professionalism) and ideas. In particular, the article will explore: the role of money both as an incentive and as a general motivation for people's behaviours and actions; the impact of power structures in organisations on their employees; contextual factors that distance people from the consequences of their actions including the rationalisations that people employ to justify their morally ambiguous decisions; as well as considerations of how the banking industry may be 'transformed'. The aims will be to develop students' critical awareness of these topics and issues, and to stimulate 'moral imagination' (Cox et al. 2009), which includes to imagine solutions that change the 'rule of the game' (Werhane 1999). The ultimate aim is that students will develop reflective skills with regards to their own (current and future) organisational context and their own priorities.

The article is structured as follows. Following a brief note on how to use the film in a classroom setting, a brief synopsis and a description of the main characters are provided. The following sections will set out each of above-mentioned topics. Each section will include a list of scenes in the film relevant to the topic, reference to relevant conceptual and theoretical literature, and a set of discussion questions or brief discussion outlines. A conclusion section will summarise the possibilities that the film offers for business ethics teaching.

### Using *Margin Call* for Teaching

The film may be used across a range of business ethics classes, from general classes focusing on descriptive business ethics, that is, the exploration of influences on

individual and corporate decision-making and behaviour in (profit-seeking) organisations (Crane and Matten 2010) to classes teaching ethics in finance. Tutors may choose which of the topics set out in this article fit with their respective curricula. Even though the article presents the topics in a particular sequence, this should by no means imply that tutors have to follow this sequence as well. Rather, tutors might want to mix and match the topics according to what content they want to cover in their classes.

The film is suitable teaching material at both undergraduate and postgraduate level, but it might work particularly well with MBA students who bring their experience of their own workplace to the teaching sessions.

It is recommended that the students watch the whole film in class, followed up by discussion. Due to its length (1 h 48 min), this may only be feasible within longer teaching sessions, for example, in block teaching. Alternatively, students may be asked to watch the film in their own time and reflect on the film's content in subsequent teaching sessions, in which bite-sized clips from the film (as set out in the topic sections) could be shown.<sup>2</sup> Sequences from different parts of the film often belong to one topic; therefore, to aid the presentation of bite-sized clips, each of the following sections contains information on where the relevant film segments can be found.

The attention of the students should be on the behaviours and decision-making of the main characters and they should not get too distracted by the technical details of how MBS investment products worked. In order for them to understand what is at stake in the film and to understand the concepts of MBS backed securities and leverage, students might be asked to watch the *Crisis of Credit* (<http://crisisofcredit.com/>) video clip (Jarvis 2012) in preparation for teaching sessions, which should provide them with the necessary background information. Students may also be recommended to read Paul Mason's book *Meltdown* (2009) or watch the film *Inside Job* (Biktimirov and Cyr 2012) if they want to gain more in-depth understanding of the mechanics of the financial crisis.

### Synopsis and Main Characters

The story of the film is set in 2007 at the dawn of the financial crisis and focuses on an un-named investment bank (even though observers have pointed out that the events depicted in the film are loosely based on what was

<sup>2</sup> A script of the film (<http://www.ropeofsilicon.com/Images/web/template/awards/2012/scripts/margincall.pdf> (Chandor 2010)) is available on the internet. Even though in the actual film parts of the dialogue are worded slightly differently and some of the scenes have been deleted or are shown in a slightly different order, the script may be helpful for students to study the film more in-depth.

happening at Lehman Brothers and Goldman Sachs at the time). The tightly scripted narrative unfolds over a period of about 24 h, with most of the drama taking place during the night. The film opens with a scene in which the Head of Risk Management is being fired as part of a corporate downsizing exercise. On leaving the building, he hands a USB stick to Peter Sullivan, a young senior risk analyst, asking him to take a look at a new risk model that he had begun to work on. Peter discovers that because of the changed risk environment, the equations on which the bank's MBS trading rest no longer work. Because of the high leverage it has on its MBS assets, the bank is set to lose more money than the current market capitalisation of the firm if the assets were to decline as projected in the new model. Peter reports his findings at once to his immediate superiors, who, in turn, escalate this concern further up the hierarchy. As the 'news' reach top-management, a decision is made in a nightly emergency board meeting to sell off these risky assets the following morning in a fire sale to minimise losses, fully aware that this will cause 'turmoil in the markets' and is likely to destroy the trust relationships the company enjoys with its trading partners.

The film's story comes alive through its main characters and their interactions with each other, which reveal their different motivations and concerns and prompt them to make short 'philosophical' speeches related to the events that are happening in front of their eyes. The main characters are set out in Table 1.

### The Impact of Money on People's Attitudes and Behaviours

A number of observers have commented on how banks' practices of paying themselves and their staff huge bonuses for deals that carried high risk, without factoring in the possibility of large losses from those transactions, contributed to the financial crisis (e.g. Stiglitz 2010, pp. 152, 279; Donaldson 2012). The film does not specifically examine this particular problem, but money, and how it can control and motivate people's behaviour, is a pertinent theme throughout the film, and may therefore be a suitable starting point for discussion. The film focuses on both, money as an incentive to engage employees, or make them complicit, in morally ambiguous actions, and as a broader motivation for human behaviour.

Much has been written about rewards and incentives in organisations and how firms might use them effectively to induce certain behaviours among their members (e.g. James 2000; Carson 2003; Anand et al. 2004; Johnson et al. 2011), as monetary or other rewards help employees 'to resolve the ambiguity that often pervades business issues in a manner that suits their self-interest' (Anand et al. 2004).

Several scenes in the film illustrate how this works (whilst they also hint at the CEO's dependence on people accepting these incentives for the firm's plan to succeed). One set of scenes focuses on the traders: the scene in which Sam Rogers explains to the board how the traders need to be thrown a 'pretty big bone' in order to go along with the fire sale, especially as they are likely to lose their jobs afterwards (49:40–51:45), and the scene in which he explains to his traders how many million dollars in bonus they will be paid if they complete the fire sale (01:22:00–01:24:35). Another set of scenes focus on Sam himself and his journey from a man of conscience, who objects to the fire sale because it will kill the market (32:50–33:30, 50:10–55:05), to his (reluctant) acceptance of a large bonus in return for his assurance that he will motivate the traders to sell as much of the toxic assets as they can (01:10:22–01:12:40). The film also shows how the firm uses money as a 'negative' incentive, that is, as a threat to withhold from employees what is due to them if they refuse to be compliant (James 2000). Eric Dale is a case in point, as he is being threatened with the loss of his severance package if he refuses to stay silent over the firm's actions, something he might find particularly difficult to accept because he is the breadwinner of his family and owns a heavily mortgaged house in an expensive neighbourhood (01:05:20–01:07:10, 01:09:00–01:10:20, 01:19:50–01:22:00).

Tutors may wish to discuss the following questions in relation to above film scenes:

- Given that the firm's senior managers believe that the fire sale is 'the right thing to do', why does the firm have to rely on incentivising (or threatening) their staff to sell off their MBS assets? Is there a sense that a line is being crossed here?
- To what extent would it have been feasible for the traders to say 'no' to the fire sale and their bonus?
- What do you think about the size of the traders' bonuses? Are they justified (a) in view of the cost that their actions bring on themselves, (b) in view of the enormous economic and societal cost of the ensuing financial crisis?
- Looking at how Sam changes his position by accepting his bonus, would you regard Sam a more or a less moral person than the rest of the traders and the other managers, and why?
- How sympathetic, and why, are you with Eric's decision to agree to staying silent? Does this take away from his courageous stance he showed when alerting senior management to the risks of their trading model?
- Have you observed in your own workplace instances where people were incentivised to engage in practices

**Table 1** Main characters

Risk analysts	
Peter Sullivan (played by Zachary Quinto)	A 28-year-old senior risk analyst who holds a Ph.D. in Astrophysics from MIT. He is the person who ‘discovers’ the risk to which the company is exposed in relation to their MBS assets, but appears to be a more neutral, detached character throughout the film
Seth Bregman (Penn Badgley)	A 23-year-old junior risk analyst. He just happens to ‘be there’ when Peter shares his discovery with his bosses. Even though Seth is more of a by-stander, his comments on the events that are unfolding in front of the bank’s staff are very instructive
Eric Dale (Stanley Tucci)	The former Head of Risk Management, who gets fired by the bank as part of a downsizing exercise. He had started developing the risk model that Peter later completes. At a later point in the film, we learn that he had been raising concerns in relation to the company’s MBS trading model previously, but his concerns appear not to have been taken seriously by his superiors
Traders	
Will Emerson (Paul Bettany)	Head of Trading Desk. On discovering the massive risk the company is exposed to, Peter Sullivan first turns to Will Emerson, who escalates Peter’s findings further up the hierarchy. Throughout the film, Will makes cynical observations about himself, the bank and society at large
Sam Rogers (Kevin Spacey)	Head of Trading Floor. Sam has been with the firm for more than 30 years. He appears to believe in professional standards such as maintaining long-term and mutually beneficial relationships with clients and trading partners, even though after some persuasion he, reluctantly, agrees to go along with the fire sale
Senior Executives	
Sarah Robertson (Demi Moore)	The firm’s Chief Risk Management Officer. Sarah is forced to confirm Peter’s findings when they are reported to her. We learn that, even though she had passed on Eric Dale’s previous concerns about the company’s risk exposure to top-management, she did not insist on following up on those concerns. Following the board’s decision to sell off the bank’s risky assets, the CEO decides to put the blame for the company’s crisis on her and to let her head roll
Jared Cohen (Simon Baker)	He holds the post of Head of Investment Division at the youthful age of 43. He takes the decision to call in the CEO to discuss the possibility of a fire sale. He also makes sure that he will not have to take any blame for the crisis
John Tuld (Jeremy Irons)	The CEO and chairman of the board; a towering and enigmatic figure who is keen to ensure the survival of the bank. He very eloquently and forcefully persuades the board and senior traders to authorise and support the fire sale, providing a number of rationalisations to others (and to himself) as to why this is the right thing to do

which they otherwise would not have? What did you think about these situations?

The film also looks at money as a *motivation* for people to work in the financial industry. Seth’s obsession with how much he and other people in the bank earn (23:15–24:15, 26:55–28:55, 57:10–58:10) and Will’s account of how he spent the 2.5 million dollars that he earned the previous year—which included \$150,000 for a car and \$76,000 on hookers, booze and dancers (38:55–40:03)—are particular pertinent scenes, but Peter’s admission that he left a career in engineering because of the money that the bank offers (31:25–32:15), and the financial situation of Sam, who is divorced and spends thousands on his beloved dog who is dying (11:30–11:55, 16:50–17:10, 1:34:45–1:38:20), and of Eric, who has just bought a house for his family in an expensive neighbourhood (1:05:20–01:06:00), also deserve attention.

The high level of remuneration in the banking sector may be a rather delicate subject to discuss with business students (especially with MBA students, a number of whom may study for their degree because it is a ticket to future high income levels). A way into this discussion may,

however, be found by looking at psychological studies that have investigated the link between money and happiness and have found that there is only a limited relationship between the two variables (e.g. Aknin et al. 2009) whilst also looking at studies that have found that high income might have different functions, such as being a ‘social tool’ to enhance one’s status, rather than bringing about happiness (Ahuvia 2008). Studies that have found that people’s happiness depend on how they spend their money (see Dunn et al. 2011), for example, when they use money to benefit others, may also enhance discussion.

Questions for discussion may include:

- Looking at the main characters in the film, how would you answer the question ‘Does money bring happiness’?
- What motivations other than happiness may people in the film have for seeking to work in a high-paying industry? To what extent can these be considered valid?
- Looking at Will’s account of how he spent his money; does it matter what people spend their money on? Do you believe that there are more ‘satisfying’ and ‘worthwhile’ uses of money than others? Why, why not?

- In the scene in which Seth tells Peter how much Will earned the previous year, Peter responds: ‘Does this seem right to you?’ Why does Peter question the legitimacy of Will’s—and implicitly the other bankers’—income levels? Should there be an upper limit to what people are able to earn? Why, why not?

The last question ties into the discussion how the banking sector may be ‘transformed’, which is the focus of another section below.

## Power Structures

Even though the company’s CEO likes to portray his firm as a ‘powerless’ player in the market, as we will see later on, numerous scenes in the film show that the firm is able to exert considerable power, especially over their employees. We have seen above how the firm does this through the use of incentives, but other scenes focus more directly on power structures in the organisation (Johnson et al. 2011, pp. 177–178), in particular those that show how the firm has been handling the inconvenient news that there might be something wrong with their MBS trading model. An interesting figure here is Sarah Robertson, the Chief Risk Management Officer. A number of scenes that show exchanges between Sarah Robertson and Sam Rogers (33:50–34:45), Jared Cohen (40:40–42:25, 55:40–57:10), Eric Dale (01:19:50–01:22:00) and John Tuld (59:22–1:01:35) hint at the fact that she and others had already been aware of the problems associated with the bank’s MBS trading before Peter’s discovery, yet chose not to solve them, although Sarah insists to Eric that she did pass on the concerns he had raised. Even though the exchanges between her and Jared and her and Eric imply that she is no more or less to blame for the crisis than the other senior managers, she becomes the only victim in the senior management ranks, with John Tuld announcing to her that she will be made the ‘scapegoat’ for the crisis and will lose her job. At the same time, Sarah is believed to have exerted her power to get Eric Dale fired from his job (06:53–07:47 and 10:03–10:50) as he may have become too inconvenient for her and the firm.

### The ‘Glass Cliff’ Thesis

What happens to Sarah may be typical of women in leadership positions and their encounter with what has been termed the ‘glass cliff’ (Ryan and Haslam 2007; a brief introduction to the concept can be found here: <http://news.bbc.co.uk/1/hi/magazine/3755031.stm> (Ryan and Haslam 2004)). The ‘glass cliff’ thesis holds that women who break through the glass ceiling into the upper echelons

of management tend to be placed in more precarious leadership positions than men. As a result, they are more exposed to criticism than men and are more likely to be held responsible for negative outcomes, even if they were not set in train by them. The film does not tell us how Sarah was appointed to her position (i.e. whether it was clear from the beginning that her role was a precarious one), but we can clearly see that she found herself in a much more precarious position than her male colleagues who, like her, should have worked towards avoiding the crisis. Studies exploring the glass cliff also found that women—especially those working in financial services—have less authority than men (Ryan and Haslam 2007), and we may assume that this was a reason Sarah was unable to, or did not choose to, continue to press the concerns that Eric Dale had relayed to her.

Questions for discussion may include:

- To what extent would you blame Sarah for failing to prevent the crisis?
- To what extent may her gender have impacted on John Tuld’s decision to fire her?
- How is it possible, if at all, for women in leadership positions to assert their place, in a ‘masculine’, ‘tough’ environment of an investment bank such as portrayed in the film?

### Suppression of Concerns and Critical Voices

Another, interacting, avenue for exploring the organisation’s power structures is looking at the role of the risk managers in the firm. Throughout the film, risk analysis and management is portrayed as an obscure and highly technical activity, but also as an activity that if the CEO and the board had paid sufficient attention to the work of some of their risk analysts and managers (especially Eric), it may have prevented this crisis situation for the bank. The film does not say that the company had insufficient risk management tools, but shows that the bank lacked mechanisms for the risk managers to raise their concerns in a way that senior management would not have been able to suppress them. The ways Eric’s concerns were stifled echo the ‘real-life’ fate of the Head of Risk of HBOS who was fired after he tried to raise concerns with top-management with regards to their risky business models (Croft 2009). Sarah the Chief Risk Management Officer, on the other hand, reported to the CEO and not to the board (see Aebi et al. 2012), and thus found herself too exposed to this powerful man. Their stories may give rise to discussions on how employees more generally could be ‘empowered’ (within a risk governance framework) to be able to speak up about their concerns with regards to their company’s practices and conduct.

## Social Distancing

Whilst above explorations into incentives and power structures already give an insight how corporate contexts can impact on people’s attitudes and behaviours, the film also provides examples of how corporate bureaucratic contexts, priorities and cultures may distance people from the consequences of their actions, and make them disconnected from their broader communities and focused on their own survival only (e.g. Jackall 1988; Ten Bos 1997; Heath 2008; Roberts 2001a, b). The following sections will highlight the organisation’s impersonal, instrumental culture, the language used by those working in the organisation that ‘neutralises’ their actions, and the detachment of the employees from wider society.

### An Impersonal, Instrumental Culture

Of particular importance is the opening scene, in which a large number of people in the organisation are being laid off (1:09–6:50), which is being repeated at the end of the film (1:29:05–1:30:15). The people in the organisation are fired by employees of a specialist company, not by the bank’s managers themselves, and they are asked to leave the building immediately whilst their company phones and email accounts are being cut off with immediate effect (something that backfires badly in relation to Eric Dale). Those staying behind are not to show any emotions of regret or any sense of loss. Rather, this exercise is meant to sharpen their instincts for their individual survival and success—as Sam Rogers impresses on them in a short speech after those fired have left the building (12:05–13:40). This scene shows an example of the ‘individualising’ effect of corporations’ ‘disciplinary processes’, designed to make employees’ actions aligned with the company’s (short-term) profit goals and to make them stop caring about issues that go beyond their own self-interested contribution to these goals (Roberts 2001a, b). That people working in this organisation are only of ‘instrumental’ value to the firm is also shown by the fact that Sam Rogers does not even know the names of the risk analysts (Peter and Seth) who work in his trading division before Peter brings his findings to Will’s and Sam’s attention (24:40–25:12, 30:15–30:40).

There are only very few scenes in the film that show true human warmth, and an important one is the brief exchange between Eric and Peter as the former is being escorted out of the building (08:30–10:00). Peter thanks Eric for looking after him when he started out in the firm, which prompts Eric to hand over the USB stick with the fateful data to Peter, which in turn prompts Peter to complete the risk model and share his findings with his superiors. This scene

illustrates how ‘individualising’ effects in corporations can be overcome by genuine, non-instrumental human encounters, as these are able to trigger a sense of obligation and concern (Roberts 2001b).

Questions for discussing these scenes may include:

How would the ‘impersonal’, instrumental culture of the firm have affected those working in it?

What impact would working in such an organisation have on you?

Have you had any encounters with work colleagues that have challenged you in the way that Eric challenged Peter?

Where are possible spaces in organisations for informal, non-instrumental encounters that may challenge the ‘status quo’?

### Using Language to Neutralise Actions

The language employed by the characters in the film, and designed to distance themselves from the moral content of their actions, deserves special attention. The film shows excellent examples of how people use language to rationalise and justify their behaviours, by employing so called *Techniques of Neutralisation* (Heath 2008; Anand et al. 2004). This theory originates in criminological literature and is a cognitive approach exploring how people rationalise or ‘excuse’ their behaviours to themselves and to others, even though these arguments only work within a narrow logic and can be faulted. (A quick introduction to the theory can be found here: <http://businessethicsblog.com/2010/11/16/mba-ethics-education-avoiding-excuses/> (MacDonald 2010a) or here [http://en.wikipedia.org/wiki/Techniques\\_of\\_neutralization](http://en.wikipedia.org/wiki/Techniques_of_neutralization)). Because of its attention to the linguistic techniques that individuals employ in personal interactions to justify or legitimise their behaviours that are illegal, or may be deemed unethical, *techniques of neutralisation* theory has more of a ‘micro’-level focus, although, as we shall see below, in business environments these rationalisations often relate to the discursive context of the ‘market’ and its competitive structures (Heath 2008). This ‘bottom-up’ approach contrasts somewhat with investigations into how ‘grand’, macro-level discourses may be deployed to legitimise or justify policies and societal practices that may be deemed unethical or unjust. Examples of these kinds of studies include explorations into how ideologies stemming from economic (e.g. ‘trickle-down’ economics) or political–philosophical thought (e.g. meritocracy) are deployed to legitimise state policies that sustain societal inequalities, or to legitimise opposition to policies (e.g. wealth redistribution, affirmative action) that seek to change the societal status quo (e.g. Wisman and Smith 2011; Sibley and Duckitt 2010).



The literature (e.g. Heath 2008; Anand et al. 2004) identifies several techniques of neutralisation that people may employ and in the film we encounter a range of these as well.<sup>3</sup> Key scenes are the two nightly meetings in which the possibility of a fire sale is being decided (30:15–35:10, 43:20–52:44), John Tuld's interactions with Sam Rogers (53:00–55:00, 1:31:40–1:34:30), and Will Emerson's monologue about why bankers have the right to engage in such actions (1:13:42–1:14:55).

The nightly discussions of the fire sale are accompanied by a strong fear of impending losses that will crush the bank, which is likely to be a strong motive for their actions (see Heath 2008). This leads some of the characters (John Tuld, Jared Cohen, Ramesh Shah) to employ a variant of the rationalisation 'Everybody is doing it.': They argue that if they are not the first ones to sell off their toxic assets, their competitors will soon do the same and they will lose out. This leaves them 'no choice' (*denial of responsibility*) but to act on this information as quickly as possible. The following exchange between Sam Rogers and John Tuld is also instructive:

Sam Rogers: And you are selling something you know has no value?

John Tuld: We are selling to willing buyers at the current fair market price; so that we may survive.

One neutralisation technique that John Tuld uses here is *denial of injury*, that is, that they will not really harm anybody, as the assets are sold to 'willing' buyers, who are expected to check what they are buying ('buyer beware principle'). Another rationalisation underlying these arguments is *denial of victim*, which means that the bank's managers are expecting that other banks would try to do the same to them, if they possessed the same information.

John Tuld employs a further neutralisation technique: *appeal to higher loyalty* ('that we may survive'). That is, he refers to the bank's moral obligation to ensure its *survival* in the market as a higher, legitimate goal that overrides any

<sup>3</sup> The following techniques of neutralisations are used by the characters in the film (adapted from Heath 2008):

- Denial of responsibility—the perpetrator thinks that what happened was outside their control, that they had no choice and so on
- Denial of injury—the perpetrator denies that any harm was done by their actions
- Denial of the victim—the perpetrator considers those harmed by their actions to be unworthy of concern
- Appeal to higher loyalty—the perpetrator claims that their act was done out of a sense of moral obligation
- Everyone else is doing it—the perpetrator assumes that it is unreasonable to expect legal/ethical behaviour because others are engaging in this practice, too
- Claim to entitlement—referring to a moral obligation or a misdeed perpetrated by the victim that entitles the perpetrator to act in a particular way

other concerns. John Tuld's speech to Sam Rogers in which he explains that they really just 'react' to whatever is happening in the market and that they cannot control anything, sums up his rationalisation (or true belief?) that the blame for the fire sale lies with the market in which the firm is merely a 'powerless' participant seeking to survive and not with the firm itself (*denial of responsibility*).

A final rationalisation justifying the fire sale is offered by Will Emerson, who uses a *claim to entitlement* argument: It was people's demand for high material living standards, which they could not have enjoyed without the banks' financial innovations, that are really to blame for the situation; therefore no one should be surprised at the bank's actions as they are trying to cut their losses from those risky innovations.

In the classroom, tutors may wish to explore with their students the various techniques of neutralisation that the characters employ with the students and what legitimacy and force they have. Students might find that in a 'high-loss' situation these arguments have some credibility, but discussion could also bring out how these rationalisations may be challenged. This discussion could touch on the systemic consequences of the fire sale for the financial industry, which would also affect the bank itself (see Stiglitz 2010, p. 150); the legitimacy of exploiting information asymmetries (especially if the traders are urged to sell to their mothers if they can) (ibid); the contrast of John Tuld's claim regarding the 'powerlessness' of the firm in the market to the depictions of corporate power in the film (from artefacts such as the helicopters and the firm's offices and restaurant overlooking Manhattan's skyline to Tuld's assertion that he will now actively seek to exploit the new market situation created by the financial crisis); and the legitimacy of Will Emerson's *claim to entitlement* (to what extent is society really to blame for this situation). Students may also be asked what rationalisations they have come across in their own workplace and how it might have been possible to challenge these rationalisations.

Apart from the use of neutralisation techniques, the film allows for exploration of a further aspect of language: the use of euphemistic language that will abet people's rationalising, and distancing from the consequences of, their actions (see Anand et al. 2004). For example, in the trading scenes towards the end of the film Will Emerson makes his trading counterparts (and himself) believe that all that the bank does is a 'spring clean', a euphemism that for a while successfully disguises the real nature of their sale (1:26:50–1:28:35). The 'music' analogy employed by John Tuld (47:25–49:20), which disguises the fact that the banks' activities have a profound effect on the 'real economy' and, ultimately, people's lives, is another example. By drawing students' attention to this power of language, they may also be asked what other words people

may use in corporate contexts to disguise moral aspects of their actions. Finally, the frequent use of swear words and pejorative words, employed by nearly all of the main characters, may also merit some reflection, and students may discuss how this language may affect the moral sensibilities of those working in the organisation.

### Detachment from Society

Heath (2008) argues that a feature of the corporation is that it ‘constitutes a subculture that in many cases isolates individuals from the broader community, and thus may serve to insulate [their] arguments [such as those made in the section above] from critical scrutiny.’ People working in the financial industry may be particularly prone to developing a subculture, and this is shown in the film by the way the traders spend their time socialising with each other in nightclubs after work (18:10–19:20, 26:55–27:54). It is reasonable to assume that this ‘work hard – play hard’ lifestyle (which the film *Inside Job* also comments on) would have prevented them from coming into frequent contact with people who might have challenged their rationalisations or with those affected the most by the impending fire sale.

The employees’ detachment from wider society is also shown by the constant presence of computer screens displaying a dazzling array of numbers and charts, which had transformed real life mortgages into sets of statistical data and tradeable securities. These screens powerfully visualise the nature of securitisation (the basis of the bank’s profitable trading activities): the severance of the traditional trust relationships between borrowers and lenders that used to underpin mortgage loans (Stiglitz 2010, p. 290), which made those involved in this ‘securitisation chain’ (Biktimirov and Cyr 2012), including the bankers, blind to the risks and irresponsibility involved in signing people up for mortgages who could not really afford them and to the risks and potential losses for those who would be the final holders of those investment products.

The former observation might lead to a debate among students as to the importance of being challenged in one’s ideas, and to what extent their own socialising activities may bring them into contact with people who challenge their ideas and decisions. The latter observation feeds into what will be discussed in the next section.

### The Purpose of Banking: How Can Bankers Become ‘Bridge Builders’

Beyond analysis of how a particular corporate context (or any corporate context that faces a potential high-loss situation) may induce people working within them to make, or

be complicit in, decisions that will harm others, the film’s narrative also offers opportunities to think more deeply about the purpose of the banking industry (and to some extent, about the purpose of *any* industry), and how it could be transformed.

As pointed out above, the film does not explicitly explain to its viewers that it was the marrying of conventional retail banking activities (i.e. mortgage lending for residential homes) with derivative-based speculative financial activity—made possible by deregulation—which exposed economy and society to the high risks that in the past only the small numbers of wealthy speculative investors would have been familiar with. It only provides some tentative insights into what practices banks engaged in: trading in complex products that the bankers hardly understood themselves (24:50–26:55, 44:15–44:55), and a relentless search for profitable opportunities in the market, no matter what, as the scene in which John Tuld invokes the famous ‘music’ analogy<sup>4</sup> (47:25–49:20) and the scene in which he explains his intention to make sure that he will make money out of the financial crisis (01:34:00–01:34:40) indicate.

Some scenes, however, are particularly useful starting points for a discussion of the purpose of banking. One of the key scenes in the film is the one in which Eric Dale tells Will Emerson about his former career as an engineer, when he was involved in a bridge building project that saved the inhabitants of two communities 35 miles of extra driving, which, so Eric calculates, amounts to over 1,500 years not wasted in a car (1:07:10–01:08:55). Contrast this with the scene in which Seth reflects that what the bank is doing does not amount to much more than glorified gambling and that it is only about one guy winning and one guy losing (23:15–24:15), which is also echoed in John Tuld explaining to Sam that what they do will always produce winners and losers (1:31:40–1:33:45).

Eric describes his past job as an activity with obvious socially useful outcomes, which would have benefited a range of stakeholders, especially the two communities, but also, presumably, himself (not least giving him the satisfaction of a job well done) and the other employees and the company they worked for. Seth and John Tuld, on the other hand, describe the ‘winners and losers’ logic of speculative finance which makes those who engage in it either rich or poor, but, as we saw in the financial crisis, only leads to a redistribution of wealth (Stiglitz 2010, p. 268) and not to outcomes that would make everybody (homeowners,

<sup>4</sup> In July 2007, Chuck Prince, the then Citigroup Chief Executive, famously said ‘As long as the music is playing, you’ve got to get up and dance’, referring to the continuing availability of cheap credit that enabled his bank to pursue profitable opportunities in the leveraged finance market (Nakamoto and Wighton 2007).

investors and even the bank's shareholders) better off in the long term.<sup>5</sup>

Classroom discussion could move from drawing out the differences between Eric's and Seth's/John's accounts to a debate of what would need to happen to make bankers into 'bridge builders', and 'bridge builders' could be used as a metaphor for the building of a safe, stable and productive industry.<sup>6</sup> This discussion may be framed by the idea of 'social contract' (e.g. Donaldson 2000), that is, by considerations of how the activities of particular trades and industries contribute to a 'broader good' which is (implicitly) sanctioned by wider society.<sup>7</sup>

Commentators on the financial industry (e.g. Stiglitz 2010; Augar 2009) argue that this transformation could be achieved by a (modified) return to old-style, 'boring' banking.<sup>8</sup> Classroom discussion could therefore start by considering the traditional core (economic) functions of the financial sector: the efficient allocation of capital by taking deposits and channelling them into loans that fund 'productive' ventures (*intermediary function*) such as the start up of new businesses, the expansion of existing ones, which in turn generates more jobs; or, for households, the purchase of a home; alongside the provision of a low-cost, efficient payments system (*payments system function*) (see Stiglitz 2010, pp. 5, 109). The provision of loans, in turn, entails careful assessment and *management of risk* to ensure that the depositors' money is safe and can be returned with interest (ibid., p. 5). This would preclude excessive securitisation, which led to reckless, risky lending (ibid., p. 14). In other words, loans are to be held by the originator (originate and hold) and not sold on for securitisation (originate and distribute), which also points to a move from short-term deals and arms-length relationships to a more direct and long-term relationship between lender and borrower.

<sup>5</sup> Students might note that Sam Rogers, in his final speech to the traders (01:10:22–01:12:40), makes reference to the traders having contributed to a 'greater good'. However, in view of the ensuing financial crisis, his assertions sound somewhat hollow and might be a rather desperate attempt to convince the traders and himself that the fire sale is legitimate.

<sup>6</sup> I owe this insight to a scene in *Inside Job* (2010).

<sup>7</sup> For the purposes of classroom discussion, the following definition of 'social contract' taken from an article by Hasnas (1998) may be used: 'Social contract theory asserts that all businesses are ethically obligated to enhance the welfare of society by satisfying consumer and employee interests without violating any of the general canons of justice... Social contract theory posits an implicit contract between the members of society and businesses in which the members of society grant businesses the right to exist in return for certain specified benefits.'

<sup>8</sup> The following article on the public purpose of banking, issued by the Roosevelt Institute, could be used as a teaching resource here: <http://www.rooseveltinstitute.org/new-roosevelt/attention-lloyd-blankfein-public-purpose-banking>.

This *risk management* function may be considered further in relation to *collective forecasting* and *financial innovation*. With regards to the former it means that calculation of risks (for the banks and their stakeholders) should not rely on mathematical models only, but on (tacit) knowledge of relevant knowledge holders, to help develop (worst-case) scenarios and analyse their likely impact (see Wilson 2013). For example, it has been argued that mathematical models generally do not predict low-probability extreme events, but that 'human reason' would be able to anticipate the possibility of such events, such as the possibility of highly correlated defaults on subprime mortgages in the financial crisis (Roberts and Jones 2009). With regards to financial innovation, Stiglitz (2010, p. 8) argues that innovations such as collateralised debt obligations and credit default swaps increased risk rather than reduced it, and a 'transformation' of banking may therefore include the development of innovative products that help the banks' clients (businesses and individuals) to manage risk rather than expose them to more. (At this stage it might be helpful to point out that derivatives were originally developed to reduce the risk for businesses, for example, by insuring them against currency fluctuations or changes in commodity prices, rather than for financial speculation). An interesting question to explore, especially with finance students, would be what are truly welfare-enhancing financial innovations, for example, what would a mortgage product look like that protected borrowers from the risks of home ownership such as the variability of interest rates (Stiglitz 2010, p. 112).

Students could also discuss a modified re-introduction of the Glass–Steagall Act, which prescribed the separation of deposit taking (and deposit-based lending) from securities trading (Augar 2009, p. 229) and thus did prohibit practices such as securitisation (for an introduction to the Glass–Steagall Act see: [http://topics.nytimes.com/topics/reference/timestopics/subjects/g/glass\\_steagall\\_act\\_1933/index.html](http://topics.nytimes.com/topics/reference/timestopics/subjects/g/glass_steagall_act_1933/index.html)). A re-introduction of the Act would prevent speculative high-risk/high-return (or high-loss) activity from 'contaminating' or destabilising the essential deposit taking/loan making function of banking (see Stiglitz 2010, p. 115). The separation of retail and investment banking would also entail consideration of what the proper function of investment banking is. Augar (2009, p. 229), for example, argues that investment banks should be pure trading houses, engaged in the underwriting and trading of securities (*market making function*), whilst being prohibited from advisory activities that could create conflicts of interest for them, and that should be provided instead by separate advisory firms. (This aspect is not covered in the film but what emerged during the financial crisis was that banks recommended MBS as safe investments whilst at the same time betting that their value would go down [e.g. Stiglitz 2010, pp. 333–334]).

Another, complementary, focus of the discussion could be on the importance of *transparency* in relation to banking practices, especially as banks have been accused of deliberately keeping a lot of their activities non-transparent and taking advantage of information asymmetries. Transparency might relate to the information that is given to clients about the nature of financial products, including their risks, composition and complexity, as well as to the accounting practices of banks, especially information on off-balance sheet activities—all of which would improve clients' decision-making (Stiglitz 2010, pp. 160, 169, 174–175). As has been pointed out by observers though, in order for this to happen, incentives that encourage non-transparent behaviour, such as short-term bonuses on products carrying long-term risk, would have to be removed (ibid., p. 14).

All of above suggestions inevitably raise the question how this transformation of the banking sector may be achieved: by regulation, by self-regulation or by a mixture of both (most commentators are in favour of strong regulation). Whereas a pessimistic view may tend towards the regulation view, the film opens up the possibility to consider that transformation might happen because people *want* to work in a renewed banking sector.

Commentators speak of a 'misallocation of human talent', that is, that highly talented graduates from all disciplines were being lured to the financial sector by the prospect of getting rich (Stiglitz 2010, p. 276), to help the banks create and sell innovative products (Augar 2009, p. 224). An example in the film is Peter, who abandoned a career as astrophysicist to work as a well-remunerated risk analyst. But going back to above scenes, we might be able to see though that engaging in activities that have socially useful outcomes, as Eric did in his previous career, might be ultimately more satisfying than working in an environment with a 'winners/losers' mentality, as Seth reflects so perceptively. These observations might lead students to consider more generally what it means to be a *professional*, someone who is solely defined by a particular skills and knowledge set needed to carry out a particular set of activities or someone who uses their knowledge and skills set to engage in activities that are defined by a commitment to a good broader than individual and corporate self-interest (Donaldson 2000). These considerations could be tied in with earlier reflections on money and happiness, which may also include discussions regarding the social status of bankers in society.

### Concluding Remarks

The aim of this article was to set out how the film *Margin Call* and the themes and topics that it addresses can be used for business ethics teaching. The film depicts decision-

making in an extreme, morally ambiguous situation, and, as it brings out the tensions and dilemmas that those involved in the bank experience, may leave the students with a feeling of uneasiness and perhaps even some empathy for the course of action that was eventually taken. However, exploration of the factors that influenced behaviours and decision-making in the bank as set out in the sections above, such as the use of incentives, the effect of organisational power structures, and the factors that detached those working for the bank from the moral consequences of their actions, should lead students to develop a more critical view of what has been happening in the film. The film thus provides starting points for discussion on what needs to change in corporate cultures such as the one portrayed in the film, to prevent such situations from happening, and for discussions on how ethical organisations can be built. As such, the film provides suitable material for general business ethics classes focusing on descriptive business ethics. At the same time, along with suitable supplementary reading/teaching that provide more detailed knowledge of the financial crisis and how banks were implicated in it, there are scenes in the film that provide starting points for discussion on how the banking sector may be transformed, so that it will serve society's needs and not harm it. This may be particularly a focus in classes teaching ethics in finance. Finally, the film's aim to tell a human story, by drawing out how the characters experience, and reflect on, the crisis situation and by giving glimpses into the characters' personal lives, opens up opportunities for students to reflect on their own experiences and priorities.

**Acknowledgments** The author would like to thank the three anonymous reviewers for their helpful comments and feedback.

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