

## **PIIGS Bankers – The Real Big Bad Wolves**

How the bankers huffed and puffed and blew their own economy down  
and how to build the “house made of bricks” for protection.

Written By Joseph Nestor

Thesis Advisor: Dr. Joni Jones

Thesis Committee Member: Dr. Alan Balfour

Thesis Complete: Fall 2014

As children, we all read the classic fairy tale of *The Three Little Pigs*. In this story, each pig built a house made out of different materials (straw, sticks, and bricks) to protect itself from the “Big Bad Wolf”. As each pig saw the wolf at the front door, the wolf asked to come in to the house and the pigs taunt the wolf by responding “Not by the hair on my chinny chin chin”. The wolf then huffed and puffed and blew their house down. It wasn’t up until the brick house, that the wolf would fail to blow that house down. In this little tale of economic destruction and poor decision making, the role of the three little pigs will be played by the regulators of the European Union, while the role of the “Big Bad Wolf”, or in this case Big Bad Wolves, will be played by the PIIGS bankers. How will these little pigs (European Regulators) build their “brick house” to protect themselves from the Big Bad Wolves? Like every tale, whether it’s happy or sad, we open with...

**Once upon a time,**

In 2008, Europe was plagued with a financial crisis that started in the countries of Portugal, Ireland, Italy, Greece, and Spain. They are most commonly known as the “PIIGS” economies. The cause of the financial crisis goes back to the decision making of the bankers from the PIIGS countries. The following is from a report from the London newspaper, *The Guardian*. The report covers a recorded conversation between two bank executives from the Anglo Irish Bank. The two executives are talking about the state of the Anglo Irish Bank and how much they need to save it. The number that they came up with, as said by one of the executives, was just pulled out of thin air or in Irish terms, “out of his arse”. The article also reports on how the executives showed little to no concern about the state of the economy and treated it as a joke. (McDonald, *The Guardian*). This kind of behavior is unacceptable and is unfortunately not uncommon from bankers in the other PIIGS countries. There are many other

reports of bankers from the PIIGS economies that made bad decisions that led to the economic crisis. How do we explain these poor decisions and this behavior by PIIGS bankers? An analysis of whether PIIGS bankers made decisions based on the theory of the Rational Economic Man, cultural differences, and the absence of community (responsibility) was conducted in order to find the main reasons why bankers made these high risk decisions.

The 2008 Financial Crisis didn't just have a negative impact on Europe, but in our home country of the United States. An analysis was conducted to compare how bankers from the United States and Europe played a role in the economic crisis and indicates whether or not all bankers are the same or different. Another analysis comparing the American Sarbanes Oxley Act, the European 8th Company Directive Law, known as EuroSox, and Basel III is performed to determine if any or all of these acts are the solution to preventing any future economic crises as severe as the one in 2008.

### **Rational Economic Person Rationale**

The irresponsible decisions by the PIIGS bankers have come into question since the demise of the national banks as well as the economies they operate in. The motivation of these bankers to make irresponsibly risky decisions is investigated. Several possible motivators are examined.

John Stuart Mill, an economist and philosopher, developed the theory of the "Rational Economic Person". By definition, a rational economic person "Does that by which he may obtain the greatest amount of necessities, conveniences, and luxuries with the smallest quantity of labor and physical self-denial with which they can be obtained" (Wilson, *Investopedia*). In this construct, self-interest is the appropriate motivator. The conversation between the former

executives of the Anglo Irish Bank provides solid evidence that they fit the criteria of being rational economic men. As mentioned in the article, the figure of seven billion euros to save the bank was not calculated, but was “pulled out of the arse” of the executive responsible for calculating this amount. With little effort put in computing that amount, and being concerned only with their job security and the nationalization of the Anglo Irish Bank, and by their exchange of jokes and laughter, they’re perfect examples of rational economic men. It’s astonishing to me that these men are considered to be “rational” when they didn’t have a care in the world when the Celtic Tiger, the nickname for the Irish economy for its economic prosperity, would roar for the last time. The community expects that bankers will handle their money responsibly without major loss and that will help benefit both parties as opposed to just the bankers. The banking profession has no room for those who are solely looking to act in their own self-interest by making poor, high risk decisions with other people’s money.

We now turn our attention to the Iberian Peninsula – home of beautiful landscapes, some of the most visited European cities by tourists, friendly people, high number of protests from the people, and corrupt politics and bankers. This all makes up the two countries of Spain and Portugal where everyone wants to visit. What everyone may not be aware of is the economic disputes, high unemployment rates, and poor living conditions they’ve been experiencing since the start of the crisis in 2008. It wouldn’t be until this year that the Spanish bankers involved in contributing to the cause of economic disaster in Spain would be convicted for their horrendous actions. An article from *The Irish Times* reports on the sentencing of a managing director and his colleagues from the Spanish bank of Caixa Penedès. “On Thursday Ricard Pagès, a former managing director of Catalan savings bank Caixa Penedès, was handed a two-year jail sentence for embezzling funds from the lender, while three of his former colleagues were given one-year

sentences. The defendants' jail terms were cut after they admitted their guilt and agreed to give back €28.6 million which they had ploughed into their pension funds." (Hedgecoe, *The Irish Times*). An interesting aspect of this article shows how these bankers also acted under the theory of the "Rational Economic Man" before and after they were sentenced. The embezzlement of funds reveals how they acted under the theory before they were sentenced. After they were sentenced, despite not working in the bank anymore, they acted under the theory by admitting to guilt and sentenced to shorter jail time. A rational person would give in to their guilt since it would result in a punishment that's less severe than what they actually deserve. The Iberian counterpart of Portugal is also taking on rough waters with their banks. As conditions of the country deteriorate, political and economic corruption continues to grow. "According to the Constitutional Court report, the financial needs of the banks contributed to the more expenses for the government; these expenses grew to €11.5bn in 2012 (about 7 per cent of GDP.) All these ailing banks needed to be nationalised, and BPN, which is actually a very small private Portuguese bank, was technically in default. BPN's CEO and some of the main stockholders have ties to the government and even Portuguese President Aníbal Cavaco Silva. In a result BPN bank absorbed 40 per cent of the €12bn lent by the IMF." (Orlova, *EuroViews*). BPN's CEO fits the description of the Rational Economic Man because of his close links to the Portuguese president. With the Portuguese president on the BPN's CEO's side, the bank would be nationalized, prevent collapse, and continue to operate. A rational person would keep their relationships with powerful people close as those people could assist in finding another job, write a letter of recommendation, or make the decision to nationalize a bank that ultimately saves it from economic crisis. Our next stop on our tour of the PIIGS economies takes us to "The Boot" of Europe, where its citizens hope that their bankers will get "The Boot" for the high risk

decisions they made. Will they get “The Boot” for their poor decision making and/or being Rational Economic People?

Viva Italia! Birthplace of the Holy Roman Empire and The Renaissance, and home of amazing cuisines, the Vatican, and some of the most historic sites in Europe. Vita Bella, right? Wrong! Italy is also home to an Italian bank that was reported to “reveal the depth of the financial crisis”. The Italian bank in question is Monte dei Paschi di Siena (MPS), which is the oldest bank in the world. According to the report by *World Socialist Web Site*, “The focus of the investigation is the ‘Alexandria’ trade of 2009, a risky bet against Italian sovereign debt linked to a swap on interest. This caused huge losses for MPS, as well as raising grave concerns over the Italian state’s financial ratings.” (Jobson, *World Socialist Web Site*). As stated, the bank did take a huge loss from this scandal. “The MPS scandal first erupted on January 22, when the ‘Alexandria’ trade was exposed in the media. The deal was initially thought to have caused a loss of €220 million and was carried out under Mussari’s presidency.” (Jobson, *World Socialist Web Site*). Giuseppe Mussari can be classified as a Rational Economic Man based on his reaction to the scandal after it was revealed to the public. “The same day the news was made public, Mussari resigned from his position as head of Italy’s largest banks lobby, Associazione Bancaria Italiana (ABI).” (Jobson, *World Socialist Web Site*). Mussari’s resignation reveals how a rational economic person would take the easy way out to prevent having to clean up the mess that was made with the bank scandal. Say arrivederci to the Italian economy and join me as we approach the final destination on the tour of the PIIGS economies.

Greece is known for its rich history and is the birthplace of the Western world’s most influential philosophers such as Aristotle, Plato, and Socrates. As the golden age of Ancient Greece is now all but another page in the history books, there have been recent problems with

one of the banks in Greece that has impacted both the Greek economy and neighboring island country of Cyprus. The Marfin Investment Group was reported to have been notorious for distributing loans with high conflicts of interest. While these loans were being distributed to different groups in Greece, the small Cypriot economy took a turn for the worst as MIG also operates in the neighboring country. The Cypriot economy had to receive a bailout as a result of the operations taking place in Greece (Grey, Kambas, and Leontopoulos, *Financial Post*). Andreas Vgenopoulos, director of MIG, is characterized as a rational economic man because of the bank's close relationships that led to the distribution of high risk loans. He operated the bank under the impression that MIG didn't have to do business with clients that weren't close to Marfin Investment Groups. He operated under his own self-interest with little to no effort or work put into the distribution on MIG's loans.

The bankers in the PIIGS economies are rational economic people because of their characteristics that match that of the definition. This theory influenced them to make the high risk decisions that damaged their economies.

### **Cultural Differences**

When one looks at the background of the PIIGS economies, one notices that they are located in different parts of Europe, speak different languages, and possess different cultural values. How did their cultural values influence banker decision making?

Geert Hofstede conducted a survey that analyzed countries based on five cultural dimensions: Power Distance, Individualism vs. Collectivism, Masculinity vs. Femininity, Uncertainty Avoidance, and Long Term vs. Short Term Orientation. Hofstede's measured his

results by scoring the countries and ranking them in comparison to each country (Robbins and Judge, 75). One cultural value relevant to high risk decision making is Uncertainty Avoidance.

Uncertainty Avoidance, according to *Essentials of Organizational Behavior*, is defined as “The degree to which people in a country prefer structured over unstructured situations.” (Robbins and Judge, 76). In other words, when a country is scored and ranked high in the analysis, they are afraid to make a risky decision without a clear outcome. If a country were to receive a low score, they are more open to the idea of making a risky decision without a clear outcome to it. Based on Hofstede’s Cultural Values, the scores of the PIIGS, based on data from *Essentials of Organizational Behavior*, are as follows:

<b>Country</b>	<b>Score</b>	<b>Ranking</b>
Portugal	102	1
Ireland	70	12
Italy	75	23
Greece	35	47-48
Spain	86	10-15

The majority of the PIIGS countries find high risk taking to be undesirable.

PIIGS bankers have made high risk decisions that led to the demise of their economies. Hofstede’s scores and rankings of the PIIGS in the category of Uncertainty Avoidance aren’t aligned with the actions of the PIIGS bankers. Portugal received the highest score in the category of Uncertainty Avoidance and the BPN bank was involved in making high risk decisions with powerful individuals such as the Portuguese president. A deal with this individual

serves as a conflict of interest in the decisions being made by the banks. If Portugal's score in this category represented PIIGS bankers accurately they wouldn't be ranked number one in Uncertainty Avoidance. A conclusion on whether or not PIIGS bankers were influenced by cultural values can't be drawn from Hofstede's analysis in the category of Uncertainty Avoidance, but do the PIIGS economies favor being individualists or collectivists?

Individualism vs. Collectivism is discussed in *Essentials of Organizational Behavior* as follows: "Individualism is the degree to which people prefer to act as individuals rather than as members of groups and believe in individual rights above all else. Collectivism emphasizes a tight social framework in which people expect others in groups of which they are a part to look after them and protect them." (Robbins and Judge, 75). The importance of the Individualist vs. Collectivist value provides an indication of whether bankers in the PIIGS economies prefer to act and make decisions as individuals or in a group. The higher the score and rank, the more likely the country has values based on individualism, whereas the lower the score and rank the more likely the country has collectivist values. The scores and rankings of the PIIGS, based on data collected from *Essentials of Organizational Behavior* are recorded as follows:

<b>Country</b>	<b>Score</b>	<b>Ranking</b>
Portugal	30	33-35
Ireland	70	12
Italy	76	7
Greece	35	30
Spain	51	20

These scores and rankings indicate that Ireland, Italy, and Spain follow individualist values, whereas Portugal and Greece follow collectivist values. The majority of the PIIGS are individualistic and adhere to their own individual interests whether it's through making risky decisions or performing everyday tasks as a whole. The bank executives in Ireland are a perfect example because as the state of the economy was deteriorating, they were only concerned with keeping their jobs and assurance that their bank will be bailed out by the government. MIG in Greece is considered to follow collectivist values because they handed out high risk loans to those that were close to the bank. The high conflict of interest reveals how closely the bank works as that particular group of people that they invest in.

Based on Hofstede's scores of the countries and the actions of the bankers, Hofstede's cultural values did not fully explain why PIIGS bankers made high risk decisions. There are two instances where either individualistic or collectivist values led to poor decision making, but the scores in Uncertainty Avoidance contradicts the actions by PIIGS bankers.

PIIGS bankers' scores aren't able to prove that cultural values influenced their decision making. Hofstede's cultural values analysis represents a certain group of people. According to *Essentials of Organizational Behavior*, "...the work is more than 30 years old and was based on a single company (IBM)." (Robbins and Judge, 77). It can be concluded that the banking profession values outweigh the cultural differences generally attributed to countries and cultures.

These differences may be attributed to the difference in the purpose of the tasks. IBM is in the Technology industry and its primary functions involve developing different types of technology to millions of companies around the world, researching ways for their clients to be able to fully understand the primary purpose of their products, and fulfill the purpose of the

company, which is to build a smarter planet. The banking industry involves the handling of money at any amount in any currency, which will benefit both the banks and their clients. In the case of the PIIGS bankers, they find ways to handle their client's money that will benefit themselves rather than both parties. The analysis of Hofstede's Cultural Values for IBM indicates that IBM has more commitment to the community and draws the conclusion that occupations outweigh cultural differences.

### **Absence of Community**

The community should be an important part of the bank because the community puts trust into these banks to handle their money properly. How did the absence of the community lead to the high risk decisions and investments made by PIIGS bankers?

Research and analysis has shown that PIIGS bankers made high risk financial decisions based on self-interest and cultural values different from that of their home countries and more in line with their occupation. In addition to these applied factors in the PIIGS bankers decision making, there was another important aspect that influenced the decisions made by the PIIGS bankers. When the PIIGS bankers made high risk financial decisions they didn't consider how this would impact the community, but only how it would impact themselves financially.

Robert Solomon, a former philosophy professor and author of *Ethics and Excellence: Cooperation and Integrity in Business*, provided an interpretation of the Aristotlean approach to business and its relevance to how the community is a top priority to a business. According to *Ethics and Excellence: Cooperation and Integrity in Business*, "The Aristotlean approach to business presupposes an ideal, an ultimate purpose, but the ideal of business in general is not, as my undergraduates so smartly insist, 'to make money.' It is to serve society's demand and the

public good and be rewarded for doing so.” (Solomon, 110). Bankers should be held to this same standard because they’ve received their client’s trust to handle their money properly. The different events in the PIIGS reveal how the bankers made decisions without regards to the community of people that work with the bank.

The conversation between the two executives of the Anglo Irish Bank is a perfect example of absence of community because the two executives depended on the Irish people to clean up their mess after they made high risk financial decisions. They were more concerned about what would happen to their jobs and the bank instead of caring about what’s to become of the economy and how the Irish people will suffer. Another example that fits the criteria was the situation with the Spanish bank Caixa Penedès. The bank encouraged the Spanish people to invest in a product that was worth less than what it was sold for. They took advantage of those who were unable to determine if the product they were investing in was worth what it really was. (Hedgecoe, *The Irish Times*). Both of these situations relating to absence of community reveals the unfortunate truth that the PIIGS bankers showed no concern about the community and watched them suffer through the effects of the economic crisis.

The Spanish judge that sentenced the bankers from Caixa Penedès made a comment to *The Irish Times* about the behavior of the Spanish bankers. “‘This was malicious, insidious behaviour that deceived society,’ said Judge José María Vázquez in announcing the sentences. ‘Tricking the controls of the savings bank, with figures such as the chairman and those on the bank board being virtually decorative, you put personal interests ahead of social interests, abusing the confidence that was entrusted in you as senior executives.’” (Hedgecoe, *The Irish Times*). This statement goes hand-in-hand with Solomon and Aristotle’s views of a business putting the community before their own self – interest. The PIIGS bankers were entrusted with

the duties of handling the money of their respected business partners and they failed as a result of having more concern for their own well-being instead of those they did business with.

As our tour of the PIIGS comes to a close we can conclude that PIIGS bankers are rational economic people whose occupational values outweigh their cultural values. They also have little to no concern of the impact of their high risk decisions on the community. Is this a fair and accurate description of all bankers in the world? Let's turn our attention to the bankers in a country we're all familiar with: The United States of America.

### **American Bankers and the 2008 Financial Crisis**

The 2008 Financial Crisis had an adverse effect on the American economy as it led to an economic recession. Could the bankers be responsible for the 2008 Financial Crisis in the U.S.? In the analysis of the PIIGS economies, the theory of the Rational Economic Person, cultural differences based on Hofstede's cultural values, and the absence of community were all used to determine if these were what caused PIIGS bankers to make high risk financial decisions. This analysis was also applied to determining whether or not these factors of the PIIGS bankers' decision making are what also led to the financial decisions made by the American bankers.

### **Rational Economic Man Theory and American Bankers**

The textbook *Managing Business Ethics: Straight Talk about How to Do it Right* recaps events of the 2008 Financial Crisis and shows a method that banks utilized to handle their community's mortgages. "Here's how it worked: Instead of your bank keeping your mortgage until it matured, as had traditionally been the case, your bank would sell your mortgage – usually to a larger bank that would then combine your mortgage with many others (reducing the bank's incentive to be sure you would pay it back)." (Trevino and Nelson, 6).

Referring to the theory of the Rational Economic Man, one can agree that this group of bankers who were involved in utilizing this method fit the criteria of the rational economic man. Their method links to the definition of the theory as they sold their community's mortgages so that it can be handled by another financial institution and they wouldn't have to worry about distributing them. The next step of their method is as follows: "Then the bankers sold these mortgage – backed securities to investors, which seemed like a great idea at the time. Real estate was traditionally safe, and 'slicing and dicing' mortgages divided the risk into small pieces with different credit ratings and spread the risk around." (Trevino and Nelson, 6). A rational person would be more than satisfied not to have to do a lot of work and believe they would receive a high return. These bankers are revealed to be just as rational as PIIGS bankers through their method of handling mortgage securities which involved handing off the responsibility to another bank. They also exhibited a similar lack of concern for the community.

### **Cultural Differences and American Bankers**

It was revealed in the previous analysis of the PIIGS bankers that occupational values outweigh cultural values. Two of Hofstede's Cultural Values that were used for the previous analysis were Individualism vs. Collectivism and Uncertainty Avoidance. The same values are used in this analysis to determine if cultural values did influence American bankers in making high risk financial decisions. Can we come to the same conclusion that banking occupational values outweigh that of the American analysis of Hofstede's cultural values?

*Essentials of Organizational Behavior* provides us with the data collected from Hofstede's analysis of cultural values. The following chart compares the PIIGS and the United States in the category of Individualism vs. Collectivism (Robbins and Judge, 76-77):

Country	Score	Ranking
Portugal	30	33-35
Ireland	70	12
Italy	76	7
Greece	35	30
Spain	51	20
United States	91	1

This score indicates that Americans possess very strong individualist values that they apply this factor to different decisions they make. The United States is ranked higher than the PIIGS economies in this category. An example of how American bankers demonstrated individualist values involves the method used to handle the securitization of mortgages and how it would benefit the individual banker as a whole. According to *Managing Business Ethics: Straight Talk about How to Do it Right*, “So much money poured into the system, and the demand for those mortgage-backed security products was so great, that bankers demanded more and more mortgages from mortgage originators.” (Trevino and Nelson, 8). An individualist would want to continue implementing this method until they are fully satisfied with the amount of return they receive that will benefit them. The actions of the American bankers are in line with Hofstede’s Cultural Value of Individualism vs. Collectivism, but can the same conclusion be reached in the analysis of the category of Uncertainty Avoidance?

The following chart compares the PIIGS economies and the United States in the category of Uncertainty Avoidance where the data was collected from *Essentials of Organizational Behavior* (Robbins and Judge, 76-77):

Country	Score	Ranking
Portugal	104	2
Ireland	35	47-48
Italy	75	23
Greece	112	1
Spain	86	10-15
United States	46	43

The score that the United States received indicates that Americans are tolerant of decisions that could potentially result in unknown benefits or consequences. An example of how tolerant Americans are about high risk decisions indicates how this value aligns with the high risk financial decisions made and how it led to the 2008 Financial Crisis. *Managing Business Ethics: Straight Talk about How to Do it Right* reports on how bankers approached the CDS (Credit Default Swap) market: “The insurance company AIG was a huge player in this market, and so were the large banks. The firms that were counterparties to CDS never stepped back from the trading frenzy to imagine what would happen if both the structured finance market and the real estate bubble burst (as all bubbles eventually do) at the same time.” (Trevino and Nelson, 7). An event such as the one brought up in the text can be unpredictable, but it never stopped the American bankers from dealing in this market. Hofstede’s Cultural Value of Uncertainty Avoidance is in line with the events leading up to the 2008 Financial Crisis.

The previous analysis of the PIIGS economies led to the conclusion that occupational values outweighed cultural values, which made the theory that cultural values influenced the financial decision making of the PIIGS bankers incorrect. Contrary to the results of the PIIGS

economies, the American cultural values are aligned with the occupational values. Why were the results of this analysis of the United States and Uncertainty Avoidance different from that of the PIIGS?

The United States' score in the area of Uncertainty Avoidance indicates that Americans are tolerant of risk. The reason for this conclusion is based on an excerpt from the book *Business Ethics: A Critical Approach: Integrating Ethics Across the Business World*. "To be even more precise, the bank has turned away from the risk related to the customer's activity in order to focus on the risk generated by its own activity, mainly in the stock market. For a long time, the banker's ethic was not questioned. Bankers assumed their economic and societal responsibilities; the sector's morals were neither suspected nor 'suspicious' because bankers appeared to be legitimate in both their functions and their positions." (O'Sullivan, Smith, and Esposito, 131). The excerpt from this book relates to the conclusion that Americans are tolerant of risk in that the American bankers can get away with making any high risk financial decision without being questioned by their client or government regulations. Based on this analysis of American bankers, it can be concluded that two of Hofstede's Cultural Values influenced the American bankers' high risk financial decisions that led to the 2008 Financial Crisis.

### **Absence of Community and American Bankers**

It has been indicated by research and analysis that American bankers are influenced by the theory of the Rational Economic Man and Hofstede's cultural values of Individualism vs. Collectivism and Uncertainty Avoidance. This was determined by the different reports of decisions American bankers made that led to the 2008 financial crisis in the United States. The

same method is applied to this factor and in the end it will ultimately determine if all bankers behave the same based on all three factors.

The PIIGS are known for not involving the community they worked with when making high risk financial decisions. The PIIGS bankers didn't live up to the expectations and trust of their clients because they put their self-interests before the interests of their clients. Is this also the case with the American bankers?

*Managing Business Ethics: Straight Talk about How to Do it Right* showed how banking CEOs only cared about what they were being paid instead of the risky decisions their banks were making. "The traders took risks, the bets were at least temporarily successful, and the bankers walked off with multimillion – dollar bonuses. It didn't matter that the risk taking was foolish and completely irresponsible in the long run. The bonus had already been paid. Consequently, a short-term mentality took firm root among the nation's bankers, CEOs, and board of directors." (Trevino and Nelson, 8). These kinds of practices aren't beneficial to the community in any way and the actions contradict a theory that all businesses should follow: The Social Contract. The Social Contract in the area of business is defined by *The Houston Chronicle* as "...the obligations that businesses of all sizes owe to the communities in which they operate and to the world as a whole. This involves corporate philanthropy, corporate social responsibility and corporate governance." (Bradley, *The Houston Chronicle*). Conducting the types of business practices that were listed in *Managing Business Ethics* are unacceptable based on The Social Contract Theory. A business must put aside their self-interests to serve the needs of the community as its expected in this theory.

If anyone wants to pursue a career in banking he or she must always put the community before their own self-interests when making financial decisions. Bankers are entrusted by their clients to assess risk properly when investing their clients' money. The book *Business Ethics: A Critical Approach: Integrating Ethics Across the Business World* addresses why bankers need to assess risk properly and why they should put the community first. "First, the economic consequences: the crisis has shown us that the banks' failure to support firm – an economic role – had disastrous results! Then the social consequences: by relinquishing their mission to evaluate and regulate risk – the societal role – bankers forced the economies into grave difficulties as no other player can replace the banks without in turn becoming a bank; this societal role is the very basis of banking activity." (O'Sullivan, Smith, and Esposito, 131). Referring back to the Social Contract Theory, if a bank were to make financial decisions that benefit the community the consequences listed above could be avoided. All business must be conducted in a way that will benefit the community as a whole. If bankers don't fulfill their responsibility to their clients, the clients will be negatively impacted and end up like those who live in the PIIGS economies as well as those struggling in America with the financial crisis. Why would bankers care about following this theory and the consequences of not following this theory?

Bankers wouldn't care about following this theory for the sake of their clients. Bankers are self – interested and care about high returns of money. They will care about following this theory once the government imposes fines and more regulations on the bank. *The New York Times* reported about how the government should increase banking regulation and why bankers should follow their social contract. "The government agrees to protect banks from collapse, and in return, bankers are meant to uphold the highest ethics when handling other people's money. But when lawbreaking and other missteps proliferate at banks, it is a sign that the industry has

stopped cleaving to the special contract, endangering taxpayers. And bad management can be a leading indicator of future financial problems at an institution.” (Ember, *The New York Times*). This statement would scare a banker into putting their self-interests aside to make financial decisions that benefit the community they work in. Could this be a solution to preventing future financial crises?

### **Are American and PIIGS bankers the same?**

The 2008 Financial Crisis revealed very disturbing truths of how the American and PIIGS bankers were responsible for the cause of the crisis. Both groups of bankers are similar in what influenced them to make high risk financial decisions. Both groups are influenced by the rational economic man and the absence of community because they put their own interests before the interests of the people that they worked with. It was indicated in the analysis of the PIIGS bankers that occupational values outweigh Hofstede’s Cultural Values, whereas the analysis of the American bankers revealed that the American bankers made decisions based on their cultural values. The outcome of this analysis does not present the opportunity to test whether American bankers’ values would have superseded the cultures. They were already in line with each other. The reason for the outcome of this analysis is because the American banker believed that as long as their decisions are not seen as suspicious to others, they can continue to make high risk financial decisions. This attitude led to the American bankers making high risk financial decisions, which then led to the 2008 Financial Crisis in the United States.

The research used in this analysis of American bankers reveals that both groups of bankers (American and PIIGS) behave in the same way when making high risk financial decisions. They’re more concerned about the returns they’ll receive instead of that of their

clients. These big bad wolves have blown down their economies leaving the little pigs (European regulators) ultimately defenseless. How do the little pigs stop the big bad wolves from blowing down their regulations and economies again?

### **How to build the “House of Bricks”**

The little pigs (European Regulators) have nowhere to run from the Big Bad Wolves. The Big Bad Wolves have already huffed and puffed and blew their economies down. Now the little pigs have to build a “House of Bricks” to protect themselves from more attacks by more Big Bad Wolves in the future. Will this brick house (regulation) be effective and protect the PIIGS economies? As we near the end of this little tale of economic destruction and tragedy, we’ll see if these Big Bad Wolves can be stopped thanks to the support of the brick house.

In order to determine whether or not strict enforcement of regulation and/or more regulation will be enough to prevent future economic crises, an analysis of the effectiveness of the U.S. Sarbanes-Oxley Act was conducted to see if this kind of law would establish a strong foundation for the PIIGS bankers to practice making financial decisions that benefit the communities they work for. The European Union has a similar law called the 8th Company Directive Law (EuroSox). An international banking statute known as Basel III is also considered in this analysis as it was established following the events on the financial crisis. Are any or all of these regulations the solution to preventing future economic crises?

The Sarbanes-Oxley Act is a law in the United States that was established following the collapse of companies such as Enron and WorldCom. *Investopedia* defines this act as “An act passed by U.S. Congress in 2002 to protect investors from the possibility of fraudulent accounting activities by corporations.” (*Investopedia*) Sarbanes – Oxley has provisions that all

companies in any field of industry must follow. *Regulation and Sarbanes Oxley* provides the provisions that companies must follow.

The 8<sup>th</sup> Company Law Directive (EuroSox) is said to be the European Union’s equivalent to the United States’ Sarbanes – Oxley Act. *Sarbanes Oxley Compliance Professionals Association* describes EuroSox as follows: “The 8th directive is considered the European post Sarbanes-Oxley regulatory retaliation. And, like in the US SOX, there are extremely important extraterritorial consequences.” (*Sarbanes Oxley Compliance Professionals Association*). The chart below shows the provisions of both Sarbanes – Oxley and EuroSox. The purpose of this chart is to gain a better understanding of each act and see if this type of regulation will prevent future economic crises. The provisions for the Sarbanes – Oxley Act were collected from *Regulation and Sarbanes Oxley* and the goals of EuroSox were collected from *European Institutes of Internal Auditing (ECIIA)*.

Basel III is defined in *Investopedia* as “A comprehensive set of reform measures designed to improve the regulation, supervision and risk management within the banking sector.” (*Investopedia*). Basel III isn’t limited to banks in the United States and Europe, but internationally as a whole. The first two provisions of Basel III listed below were provided by the *Bank For International Settlements*.

Sarbanes – Oxley Act	EuroSox	Basel III
“The CEO and CFO must certify quarterly results, with criminal penalties if they knowingly sign off on misleading financial statements.” (Hart, 442)	“A comprehensive view of global risk management and internal control.” ( <i>ECIIA</i> , 2)	“ <b>Supplemental Pillar 2 requirements.</b> Address firm-wide governance and risk management; capturing the risk of off-balance sheet exposures and securitisation

		<p>activities; managing risk concentrations; providing incentives for banks to better manage risk and returns over the long term; sound compensation practices; valuation practices; stress testing; accounting standards for financial instruments; corporate governance; and supervisory colleges.”  <i>(Bank for International Settlements)</i></p>
<p>“A majority of the members of the board must be independent (and the definition of independence is quite stringent).” (Hart, 422)</p>	<p>“The Three lines of Defence model for global assurance.”  <i>(ECIIA, 3)</i></p>	<p>“<b>Supervisory monitoring</b>  The liquidity framework includes a common set of monitoring metrics to assist supervisors in identifying and analysing liquidity risk trends at both the bank and system-wide level.” <i>(Bank for International Settlements)</i></p>
<p>“The audit and compensation committees must consist entirely of independent directors. Moreover, the audit committee must contain at least one director who is a financial expert.”  (Hart, 422)</p>	<p>“Internal audit and global assurance.” <i>(ECIIA 4)</i></p>	<p>“<b>Securitisations</b>  Strengthens the capital treatment for certain complex securitisations. Requires banks to conduct more rigorous credit analyses of externally rated securitisation exposures.” <i>(Bank for International Settlements)</i></p>
<p>“The company’s auditors cannot also provide consulting services for the company.” (Hart, 423)</p>	<p>“Ensuring proper distinction between internal audit assurance and statutory and external audit assurance.” <i>(ECIIA, 5)</i></p>	<p>“<b>Revised Pillar 3 disclosures requirements</b>  The requirements introduced relate to securitisation exposures and sponsorship of off-balance sheet vehicles. Enhanced disclosures on the detail of the components of regulatory</p>

		<p>capital and their reconciliation to the reported accounts will be required, including a comprehensive explanation of how a bank calculates its regulatory capital ratios.” (<i>Bank for International Settlements</i>)</p>
--	--	---

Each regulation is pursuing to build a strong foundation of regulations in corporate governance as well as how banks manage their risk. Imagine that these regulations are the houses that the three little pigs made and the provisions are the materials they use to make their house strong enough to protect them from the Big Bad Wolves. If a solid foundation of rules are built in these regulations, the big bad wolves will eventually run out of breath. However, if a flaw is found in one of these regulations, the bankers will huff and puff and blow that regulation down along with their economy.

**Sarbanes – Oxley Act**

The first house (regulation) is the U.S. Sarbanes Oxley Act (SOX). SOX was established in response to the Enron and WorldCom scandals. This act focuses on the supervision of accounting activity and risk management to prevent fraud in an organization. The role that SOX played in the 2008 Financial Crisis was described in *The New York Sun*. “She reminds us that the legislation passed in the wake of the Enron scandal was meant to reform corporate governance and head off punishing meltdowns of investor wealth. It hasn't. Instead, what Sarbox did was to open the door to excessive and sometimes careless criminal prosecution of corporate wrongdoing.” (Peek, *The New York Sun*). A section that was violated during the financial crisis

that reveals that there are flaws in this system is Section 404. Section 404, according to *American Institute of Certified Public Accountants (AICPA)*, "...requires a publicly-held company's auditor to attest to, and report on, management's assessment of its internal controls." (AICPA). An example of a violation of this section was the Italian banking scandal that involved a bank that was guilty of withholding money and distributing high risk loans that resulted in huge losses and paved the way for the financial crisis to reach Italy. "The seizure targets €88 million of hidden commissions received by Nomura and €1.7 billion deposited with Nomura by MPS as collateral for a loan. Also a total of €14.4 million are to be seized from ex-MPS president Giuseppe Mussari, ex-managing director Antonio Vigni and from the former chief of the finance department, Antonio Baldassarri." (Jobson, *World Socialist Web Site*). While the bank tried to convince the public that they informed their auditing firm about the deal, the auditing firm came forward and revealed to have not known about the deal.

If the Sarbanes – Oxley act was enforced in Europe, Section 404 would be violated on the grounds that the bank didn't inform the auditing firm about their dealings. Picture the regulators of the European Union in the Sarbanes-Oxley house. A PIIGS banker shows up at the door and asks "Regulators, please let us distribute these loans without having to tell our auditors." Regulators respond, "Not by the laws of Section 404." The PIIGS banker then huffs and puffs and blows the law down. As a result, the PIIGS banker distributes the high risk loans and doesn't inform their auditor. The European Union regulators then flee to the next house (regulation) to see if it's effective enough to protect them from the Big Bad Wolves (PIIGS Bankers). The next house is the EuroSox.

## **EuroSox**

EuroSox was put into effect following the enforcement of the U.S. Sarbanes – Oxley Act. An article in EuroSox that reviews the policies related to risk management is Article 41. Article 41 explains how the CEO and Senior Management should approach risk management. “Members of senior management have responsibility for managing risks within their spheres of responsibility related to their units’ objectives by: Converting strategy into operational objectives; Identifying and assessing risks adversely impacting the achievement of these objectives; Effecting risk responses consistent with risk tolerances.” (Ferma/ECIIA, 7). Unfortunately, this article as well as the act as a whole wasn’t able to stop the two Irish banking executives from coming up with a figure that they believe will save the Anglo Irish Bank. “A top banker with the financial institution that almost bankrupted Ireland boasted that he had picked the figure of €7bn (£5.9bn) they told the Irish government was needed to rescue the Anglo Irish Bank ‘out of his arse’.” (McDonald, *The Guardian*). The figure that they came up with wasn’t calculated and the only strategy that they came up with to save their bank was pulled out of thin air or in Irish terms in the article “out of their arse”. The Anglo Irish bank would soon be nationalized by the Irish government and the Irish citizens are left with the responsibility of paying taxes to have the bank bailed out. After the regulators responded to the PIIGS bankers request to let them disregard their responsibilities of assessing the risks of their organization, the regulators responded with “Not by the laws of Article 41”. The PIIGS banker then huffed and puffed and blew EuroSox down.

The list of possible acts that would be effective enough to prevent a severe financial crisis in the future has been narrowed down to one more act: Basel III.

## Basel III

The European Union regulators are tired of running from the PIIGS bankers and they are now down to their last regulation. Basel III, according to *Investopedia*, is “A comprehensive set of reform measures designed to improve the regulation, supervision and risk management within the banking sector. The Basel Committee on Banking Supervision published the first version of Basel III in late 2009, giving banks approximately three years to satisfy all requirements. Largely in response to the credit crisis, banks are required to maintain proper leverage ratios and meet certain capital requirements.” (*Investopedia*). Basel III was established following the financial crisis and its purpose is to strengthen banking regulations which can prevent any future financial crises as severe as the 2008 crisis.

Prior to the enforcement of Basel III, the PIIGS banks found ways to make high risk financial decisions no matter what the regulations enforced what they could and couldn't do. The enforcement of those regulations prior to Basel III wasn't effective enough to stop the PIIGS bankers from doing what they did. Poor risk management by European bankers caused the crash of the PIIGS economies. Basel III addresses its stance on how risk management is expected to be handled moving forward from the financial crisis. Basel III calls for strict corporate governance and cooperation by the banks. The actions that banks must exhibit range from reporting on any high risk financial matters to effectively supervising their bankers to prevent them from performing high risk financial investments that can lead to another severe financial crisis.

How can the Basel III committee determine whether or not bankers are following this act? *Investopedia* defines stress testing as “A simulation technique used on asset and liability

portfolios to determine their reactions to different financial situations.” (*Investopedia*). In other words, the financials of bank are processed against high risk related events or decisions and it reveals how the banks react to them. The Italian bank Monte dei Paschi di Siena, which was one of the PIIGS banks used for research was reported to have been under fire for potentially not passing the European stress test. “The European Central Bank (ECB) will unveil the results of its balance sheet review and stress tests on Oct. 26 and Monte dei Paschi is seen by many analysts as one of the banks most at risk of failing, despite raising 5 billion euros (\$6.4 billion) from shareholders in June to strengthen its finances.” (Za and Slater, *The Daily Mail*). This information is valuable to understand because it provides a framework of how banks will perform in the future. This test promotes a sense of fear into the bankers because if they don’t pass this test their bank will face future financial difficulties and will not be able to thrive in the European Banking sector. Stress tests are increasing in Europe and there is optimism of how these tests will help banks in the future. “Those supervisory authorities in intermediate to advanced stages of maturity plan to focus on deepening their current on-site and off-site review programmes, with the aim of better assessing how stress test outcomes are used in bank decision-making and risk appetite setting. Stress testing results are expected to have a greater impact on contingency planning including recovery and resolution.” (*Bank for International Settlements*, 11). This section of Basel III is important and can change the way that banks practice risk management.

The PIIGS bankers asked the regulators to make financial risk decisions and the regulators responded with, “Not by the law of Basel III”. The PIIGS bankers then huffed and puffed and tried to blow the law down, but it didn’t work. They kept huffing and puffing up to a

point where they blew themselves out and sentenced to time in prison for breaking the acts.

Basel III is strong enough to protect regulators and European citizens from the PIIGS bankers.

### **Final Thoughts and Discussion**

Since the beginning of the 2008 Financial Crisis, European and U.S. bankers have been criticized for putting their own interests before their communities and for making high risk financial decisions that led to the destruction of the economies in Portugal, Ireland, Italy, Greece, and Spain (PIIGS) and a recession in the United States. This criticism towards these groups of bankers is fair in that many citizens of these countries are still recovering from the crisis because they put their trust into these bankers only to be fooled into thinking that what they were investing in would bring high returns in the future.

Research shows that bankers are advocates of the rational economic man and perform high risk financial decision making that will benefit them and not the community. We can't control how an individual person thinks by just telling them that what they're doing is wrong and unethical. They'll just look at you and laugh. However, strict enforcement of laws such as Basel III might steer them in the direction to make better financial decisions because of the use of the stress test and how it has the ability to determine the performance of the bank in the future.

Basel III is currently in effect in both the United States and Europe. Has it been able to stop all the bankers from high risk financial practice? No. There are still issues being dealt with in regards to bankers making high risk financial decisions and other internal issues that go against regulations. Basel III has the tools to enforce an effective banking practice act, but in addition to following this act individuals and organizations must be aware of the sentencing guidelines. Sentencing guidelines are described in *Managing Business Ethics: Straight Talk*

*About How To Do It Right* as follows: "...the guidelines propose that organizations establish and communicate compliance standards and set up communication, monitoring, reporting, and accountability systems. In this approach, the stick provides for severe punishment for organizations that are convicted of crimes and were not proactively managing legal compliance within the organization." (Trevino and Nelson, 2009). A company unaware of these guidelines as well as an individual not following compliance enforced by the company and Basel III paves way for punishments (for both individual and the organization) of fines up to or over a billion dollars and that's on top of punishments imposed by the government.

A banker that's sentenced to only a short prison term isn't enough to convince other bankers committing these acts to drop everything and discontinue their practice. It makes government acts and corporate compliance look less intimidating and a complete joke. Knowledge of Basel III and the sentencing guidelines is imperative for financial institutions because it shows that these acts and guidelines mean serious trouble for the individual, organization, and the economy if they're not followed. More emphasis on how the economy and community is impacted is very important in this situation because the impact will be long term and can take years to repair. On that subject, where are the PIIGS economies now following the worst financial crisis in history?

The 2008 Financial Crisis left a huge footprint on the PIIGS and they're continuing to face struggles that their economic recovery efforts are taking steps backwards. Portugal is facing high unemployment which is forcing Portuguese citizens to emigrate from their home country to look for work elsewhere in the European Union. (Orlova, *EuroViews*). Ireland is in the early stages of economic recovery and is taking strides to get back to being the Celtic Tiger on the prowl in Europe for a number of years. (Inman, *The Guardian*). Italy said *arrivederci* to their

economic recovery plan and is currently in recession. (Ewing and Pianigiani, *The New York Times*). Greece's economy continues to be an absolute mess in Europe and the Greeks are enraged by the lack of progress going forward that a group of Greek anarchists escalated measures and planted a bomb in the Greek Central Bank. (Sanati, *Fortune*). Spain is progressively recovering from scandals that rocked the economy and surprisingly enough the most current scandal in Spain is related to the most influential family in the country: The Spanish Royal Family. "Even the arrival of a new king has not stemmed the flood of scandals engulfing Spain's institutions, the latest being the charging of his sister, Princess Cristina, with money-laundering and tax fraud. For Mr Rajoy, recovery in all senses still has some way to go." (*The Economist*). The PIIGS do have a ways to go to achieve full economic recovery and it should all start with reforming the banking system.

There is no happy ending to this tale yet because there are still problems within the banking industry that requires time and cooperation from the PIIGS bankers, their respected financial institutions and home countries to learn how to make decisions that will not just benefit them, but the community as well. The Banking Industry is not perfect, but it doesn't justify their actions that led to the 2008 Financial Crisis. Reforming an industry that has a strong influence in the world doesn't happen overnight; in fact, there is no single act that will stop these risky financial practices as a whole. A regulatory act can win the battle, but not the war against high risk financial crisis.

In closing, if I were to describe what the status of the banking industry is in one phrase, it would be: IN DEEP TROUBLE. As the Banking industry continues to face the struggles of recovering from the worst financial crisis in history, bankers and institutions must learn from the crimes of the guilty bankers and move forward from the crisis. It all starts with reforming the

system and it may take years to reform the banking industry, but the pursuit to preventing another severe financial crisis is imperative.

## Work Citations

- “8th Company Law Directive of the EU: Certified EU Sarbanes Oxley Expert (CEUSOE)” *Sarbanes Oxley Compliance Professionals Association*.  
n.d. Web. 25 Oct. 2014  
[http://www.sarbanes-oxley-association.com/CEUSOE\\_Course\\_Synopsis.htm](http://www.sarbanes-oxley-association.com/CEUSOE_Course_Synopsis.htm)
- “Basel III” *Investopedia*. n.d. Web. 25 Oct. 2014  
<http://www.investopedia.com/terms/b/basel-iii.asp>
- “Basel Committee on Banking Supervision: Peer review of supervisory authorities’ implementation of stress testing principles”.  
Apr. 2012. Web. 25 Oct 2014  
<http://www.bis.org/publ/bcbs218.pdf>
- “Basel Committee on Banking Supervision reforms - Basel III”  
*Bank For International Settlements*. n.d. Web. 25 Oct. 2014  
<http://www.bis.org/bcbs/basel3/b3summarytable.pdf>
- Bradley, Jeremy C. “Social Contract Theories in Business”. *The Houston Chronicle*.  
n.d. Web. 25 Oct. 2014  
<http://smallbusiness.chron.com/social-contract-theories-business-59955.html>
- “Corporate Governance Insights: Reinforcing audit committee oversight through global assurance”. *European Confederation of Institutes of Internal Accounting*. May 2012. Web. 25 Oct. 2014  
[http://ec.europa.eu/internal\\_market/consultations/2012/banking\\_sector/registered-organisations/eciia-annex\\_en.pdf](http://ec.europa.eu/internal_market/consultations/2012/banking_sector/registered-organisations/eciia-annex_en.pdf)

- Ember, Sydney. "Herbalife Takes a Tumble" *The New York Times*.  
13 Mar 2014. Web. 25 Oct. 2014  
<http://dealbook.nytimes.com/2014/03/13/morning-agenda-herbalife-takes-a-tumble/>
- Ewing, Jack and Gaia Pianigiani. "Italy Falls Back Into Recession, Raising Concern for Eurozone Economy" *The New York Times*. 6 Aug. 2014.  
Web. 25 Oct. 2014  
[http://www.nytimes.com/2014/08/07/business/international/italy-falls-back-into-recession-raising-concern-for-eurozone-economy.html?\\_r=1](http://www.nytimes.com/2014/08/07/business/international/italy-falls-back-into-recession-raising-concern-for-eurozone-economy.html?_r=1)
- Grey, Stephen, Kambas, Michelle, Leontopolulos, Nikolas. "How a Greek bank Infected Cyprus" *Financial Post*. 13 June 2012. Web. 1 Jun 2014  
<http://www.business.financialpost.com/2012/06/13/how-a-greek-bank-infected-cyprus/>
- "Guidance on the 8th EU Company Law Directive: article 41" *FERMA/ECIIA*  
21 Sept. 2010. Web. 25 Oct. 2014  
<http://www.isaca.org/Groups/Professional-English/it-audit-guidelines/GroupDocuments/ECIIA%20FERMA%20-%20Guidance%20on%208th%20EUcompany%20law%20directive%20Sept%202010.pdf>
- Hart, Oliver. "Regulation and Sarbanes-Oxley." *Journal of Accounting Research* (2009).  
Web. 25 Oct. 2014  
<http://stevenpinker.com/files/hart/files/regulationandsarbanes-oxley.pdf>

- Hedgecoe, Guy. “Spanish bankers jailed for financial abuses” *The Irish Times*  
31 May 2014. Web. 1 Jun 2014  
<http://www.irishtimes.com/business/sectors/financial-services/spanish-bankers-jailed-for-financial-abuses-1.1815582>

Inman, Phillip. “Ireland's economy fastest growing in European Union” *The Guardian*.

18 Sept. 2014. Web. 25 Oct. 2014

<http://www.theguardian.com/world/2014/sep/18/ireland-economy-growth-european-union>

- Jobson, Mike. “Italian bank scandal reveals depth of financial crisis”  
*World Socialist Web Site*. 29 April 2013. Web. 1 Jun 2014  
<http://www.wsws.org/en/2013/04/29/ital-a29.html>
- McDonald, Henry. “Irish Bankers ‘hoodwinked’ Government over Bailout, Secret Recordings Show” *The Guardian*. 24 June 2013. Web. 25 May 2014  
<http://www.theguardian.com/business/2013/jun/24/anglo-irish-bankers-taped-recordings>
- Orlova, Irina. “Troika policy in Portugal: a trilogy of austerity, sorrow and social upheaval”. *Euroviews*. 30 Apr. 2014. Web. 25 Oct. 2014.  
<http://www.euroviews.eu/2014/04/30/troika-policy-in-portugal-a-trilogy-of-austerity-sorrow-and-social-upheaval/>

- O'Sullivan, Patrick, Mark Smith, and Mark Esposito. *Business Ethics: A Critical Approach Integrating Ethics across the Business World*. London: Routledge, 2012. Print.
- Peek, Liz. "Why Sarbanes-Oxley Didn't Prevent the Latest Crisis" *The New York Sun*. 14 Feb. 2008. Web. 25 Oct. 2014  
<http://www.nysun.com/business/why-sarbanes-oxley-didnt-prevent-the-latest-crisis/71321/>
- Robbins, Stephen A., and Tim Judge. *Essentials of Organizational Behavior*. Boston: Pearson, 2014. Print.
- Sanati, Cyrus. "Greece's Economy is still a huge mess" *Fortune* 11 Apr. 2014. Web. 25 Oct. 2014  
<http://fortune.com/2014/04/11/greeces-economy-is-still-a-huge-mess/>
- "Sarbanes-Oxley Act of 2002 – SOX" *Investopedia*. n.d. Web. 1 Jun. 2014  
<<http://www.investopedia.com/terms/s/sarbanesoxleyact.aspx>>
- "Section 404(b) of Sarbanes-Oxley Act of 2002". *American Institute of CPAs*. n.d. Web. 25 Oct. 2014  
<http://www.aicpa.org/advocacy/issues/pages/section404bofsox.aspx>
- Solomon, Robert C. *A Better Way to Think about Business: How Personal Integrity Leads to Corporate Success*. New York: Oxford UP, 1999. Print
- Solomon, Robert C. *Ethics and Excellence: Cooperation and Integrity in Business*. New York: Oxford UP, 1993. Print.

- “Spain’s economic recovery: Bouncing back” *The Economist*. 28 Jun 2014.  
Web. 25 Oct. 2014  
<http://www.economist.com/news/europe/21605962-surprisingly-strong-recovery-largely-export-driven-bouncing-back>
- “Stress Testing” *Investopedia*. n.d. Web. 25 Oct. 2014  
<http://www.investopedia.com/terms/s/stresstesting.asp>
- Trevino, Linda and Katherine Nelson. *Managing Business Ethics: Straight Talk About How To Do It Right*. Hoboken, NJ: John Wiley and Sons, 2014.  
Print.
- Wilson, Richard. “What Is the Homo Economicus?”  
*Investopedia*. N.d. Web. 25 May 2014  
<<http://www.investopedia.com/ask/answers/08/homo-economicus.asp>>
- Za, Valentina and Steve Slater. “Monte dei Paschi leads euro bank shares lower as stress tests loom” *The Daily Mail*. 16 Oct 2014. Web. 25 Oct 2014  
<http://www.dailymail.co.uk/wires/reuters/article-2795574/Monte-dei-Paschi-leads-euro-bank-falls-stress-tests-loom.html>