



Wall Street Mess Affects Main Street

The Wired Word for September 21, 2008

In the News

Fannie Mae, Freddie Mac, AIG, IndyMac, Bear Stearns, Lehman Brothers, Merrill Lynch. All of these financial institutions have been in the news in the last two weeks and none of that news has been good. Some of these companies have folded and others have been bailed out by the U.S. government or purchased by another financial entity, but together, they represent the failure of more big money firms than any year since the Great Depression.

The collapse of these institutions contributes to the general decline in the fortunes of average Americans. Many people who do not participate directly in the stock market nonetheless have a stake in what happens because they are involved in the markets through retirement plans, mutual funds, college savings and other financial instruments. Even those with no investments at all are affected by the fallout in lost jobs, higher prices and tightening credit. As Roger Simon, chief political columnist for politico.com, put it, in the current failures, "Wall Street and Main Street are pretty much the same street."

While there are several causes of the current situation, several commentators are now attributing it more broadly to greed.

Ralph Nader said that the cause of the current crisis is "just greed and concentrated power." Simon agreed, saying, "Every time I read one of those long postmortems on why this financial giant or that has collapsed, it really does seem to get down to plain old greed. Enormous profits are not enough anymore. Obscene profits are not enough. Profits must be enormous, obscene and astronomical. And so financial institutions overreach and fail." Dean Baker, co-director of the Center for Economic and Policy Research in Washington, D.C., said that as a result of the "incompetence, irresponsibility and greed" of the heads of the failed financial firms, "the housing bubble was allowed to grow to dangerous proportions."

An old saying on Wall Street has it that the market is driven by just two emotions: greed and fear. Greed, defined as "a desire to acquire as much wealth as possible in the shortest amount of time," is what causes investors to make risky moves in the market, often without regard for long-term outcomes. Fear comes into play when stocks suffer large losses for a sustained period. To stem their losses, many investors join a mass exodus from the market, casting aside long-term investing plans.

In several cases, the top executives who rode the wave of greed before their companies either tanked or had to be rescued by the federal government are still in their old jobs receiving multimillion-dollar salaries or have left with exit packages worth millions. Some, who were invested in their own companies, have sustained some loss in net worth as their stock plummeted.

It is easy, from the sidelines, to point the finger of blame at the heads of the failed institutions, but that overlooks that all Americans participate in a financial system that runs on greed, and some accept its values unquestioningly. As *Washington Post* columnist E.J. Dionne Jr. pointed out "Americans don't mind wealthy and even rapacious capitalists as long as they deliver the goods to everyone else. But when the big boys drag everyone else down, Americans rise up in righteous anger."

More on this story may be found at these links:

http://news.yahoo.com/s/politico/20080915/pl_politico/13472

<http://www.truthout.org/article/big-banks-go-bust-time-reform-wall-street>

http://www.networkworld.com/news/2008/091508-wall-street-shakeup.html?ts0hb&story=ts_hp

<http://www.tnr.com/toc/story.html?id=ef7a3848-c5a9-4a53-b009-e64d475aad5c>

<http://www.investopedia.com/articles/01/030701.asp>

The Big Questions

Here are some of the questions we will discuss in class:

1. To what degree is greed a driving force in our country's financial system?
2. To what degree is wealth acquisition the basis for the "American Dream"? What is it in our approach to finances that encourages us to overlook the systemic injustices that enable some people to gain great wealth while making it hard, if not impossible, for some others to do so?
3. Where does greed operate in the life of the average person who is not connected to Wall Street? To what other sins does greed lead?
4. By nature, are most Americans indifferent or sympathetic to those at the bottom of the economic ladder? How does greed help determine the answer to that question?
5. History suggests that there is no perfect economic system. What can be done to make ours more humane and more for the good of all?

Confronting the News with Scripture

We will look at selected verses from these Scripture texts. You may wish to read these in advance for background:

Proverbs 1:10-19

Isaiah 56:9-12

Exodus 22:21-27

Micah 3:1-12

1 Timothy 6:6-10

In class, we will talk about these passages and look for some insight on the big questions, as well as talk about other questions you may have about this topic. Please join us.