Who is my neighbor: A global perspective
Part 2: Short-term thinking

Besides piecemeal re-regulation, we hear that another cause of the current Great Recession was that short-term thinking crowded out long-term thinking. An attitude common among traders and bankers was known as “IBG,” or “I’ll be gone” by the time the long-term risks of a lucrative trade become obvious. This was short-term (and self-centered) thinking. The crucial problem here, according to Christian sociopolitical analyst Jim Wallis, is a serious mismatch: Retirees trust their long-term income into the hands of those with this myopic attitude, those who look for their own immediate commissions before all else. In good times, investment advisors who push clients to sell and buy the latest hot stock in a constant churning activity are, at worst, self-interested and annoying. In bad times, they are the villains in the tragedy.

Even the short sighted who anticipate a crash become all the more eager to pull out profits while they can. They may even stay in the game to the bitter end, because no amount of wealth is sufficient to feel secure. According to a survey by PNC Advisors, even the very wealthy say that, in order to feel financially secure, they need twice their current wealth. How much wealth would make you feel secure? Thankfully, Christians have the option of basing their ultimate security in the creator of all wealth.

How we got here

I have read books by several commentators who trace the other paths that we followed to arrive at financial crisis. In Chain of Blame, Paul Muolo and Mathew Padilla walk us from the steady deregulation of financial markets in the 1980s to the insolencies of Lehman Brothers, Countrywide, AIG and Washington Mutual. They present a lineup of ideological, if not irresponsible, policymakers and selfish, even crude, traders whose morals are easy to abhor. Rakesh Khurana’s book, From Higher Aims to Hired Hands, in contrast, is a detached historical view of the evolution of business schools in America. But even Khurana moralizes over the loss of the stewardly values on which the management profession was founded, such that, in his opinion, it can no longer be called a true profession. MBAs drifted from managing productive firms to making big fees as investment bankers and consultants.

Michael Sandel analyzes the ethics of justice in his book, Justice. He critiques the ethics of taxpayers blaming investment bankers for their greed, when greed is exactly what reaps investment income during good times, and blaming them for their failure to make the system safe when the system was outside their control. His ethical bottom line, however, is that it is very hard to justify the salaries of these bankers, which are far beyond those of their counterparts in the industrialized world.

Even when they disagree, there is a distinct moral tone to all of these commentaries. There seems to be a growing consensus that our problem is a moral one. As Christians, we are not surprised that a generalized moral failure led to systemic economic collapse. Jim Wallis analyzed the prophetic writings of the Bible, and he found that they point to growing economic inequality and oppression of the vulnerable as the reasons for judgment on the Hebrew nation.

The Current Situation

Let’s take a look at the current situation to see what might be done about it. What about the much-touted and heavily fought financial reform legislation? I agree with others that it is only a partial remedy. It doesn’t get at the heart of the causes, which we agree are moral. The self-interested action of stockbrokers
is not addressed. In fact, a provision to require them to take a legal fiduciary role, as do certified financial planners, favoring their clients’ interests over their own, was dropped.

As I look at the big picture, my opinion is that because the financial sector is so fluid globally, any regulatory remedy must be globally harmonized across all pieces of the financial sector in order to provide a level playing field for all players. The new law did not even pull U.S. regulatory agencies together, as was hoped. The interagency group that was created to monitor systemic risk is very helpful. But the financial sector is still regulated by a structure of agencies assigned by type of institution, rather than by type of financial instrument. To my mind, it makes more sense to allow bank regulators to monitor and regulate any derivatives based on mortgages. They understand how to manage mortgage risk.

I think that the toughest aspect of American society to change is our individualism. Jim Wallis wants us to decide together, in community, what kind of society we want. But I worry that the American political terrain is highly polarized, and increasingly so, due to the steady and frequent gerrymandering of congressional districts into partisan territories where moderate candidates cannot survive. Who will bring us to compromise? Our president, with his excellent background in bringing communities together, is sorely challenged in the current political atmosphere.

Moreover, those among us who do not recognize the sovereignty of God in daily decision making have no choice but to be their own gods. American individualism without Puritan ideals readily devolves to self-centeredness. This social current is so strong that it is hard for individuals to wade against it.

Questions for reflection:

1. How is your decision making based on long-term planning? Is short-term thinking a moral problem, or is it just ignorance, for which we cannot be responsible?
2. Think of a recent decision you made. How much of it was based on self-interest?
3. How would you like to see America change for the better? How can you be part of that change?

—Margaret Edgell, Associate Professor of Business, Calvin College