

SEEKING THE TYPICAL

It is admittedly difficult to find the typical or the norm in the midst of the Doomsday scenarios about the current financial crisis that much of the public now confronts everyday. A pathway out is as yet unclear, but the media appear to be providing some refuge from lingering uncertainties.

One path has been to underscore that the Silent Majority, as it was dubbed in the Nixon years, is now a vital force contributing to the debate about a federal bailout package that many insist seems more of a handout for mistakes on the part of a few rather than a rescue operation aimed at the benefit of all. There is also a hesitation among many to rush towards solutions without clarification by elected representatives, as well as a real questioning about the concentration power needed to bring about a popular desire for transparency, oversight, and effective regulatory structures. In the process, the Silent Majority, also called Middle America, appears to have evolved into a vocal and increasingly involved Main Street, in contention with Wall Street yet nevertheless more of a participant in a heated exchange rather than a static, voiceless, unengaged partner.

Another path has been to emphasize that the American dilemma is in reality a shared commodity in spite of a general European reluctance to offer broad psychological understandings without as yet engaging in substantive contributions. At the level of the individual nation, however, actions on the part of national banks to support smaller, local or regional lending institutions have been ongoing in Denmark for several months. Billions in stock market losses in Finland have had a negative impact on

institutions with long-standing investments in Russian holdings that at one time appeared to offer some degree of security in spite of a lengthy history of less than harmonious ties with a larger neighbor. The link between European financial capitals and their distressed Main Streets seems all too clear as does an emerging attempt to derive a common agenda for what one eastern European observer is no longer reluctant to term a syndrome with a well delineated global aspect (1)

A path that leads towards historical considerations provides some degree of refuge along with a reminder that in spite of its global scope, the current syndrome may not be as unique as some now maintain. Power and influence concentrated in the hands of a relatively expert few has been a notable pattern of conflict-resolution concerning complex financial and monetary matters; it will undoubtedly remain albeit surrounded by different ideological approaches and working business models. (2) A former Governor of the central Bank of Finland might agree with this suggestion given a need to deal with swift changes in the national financial markets that led to a centralized control over a major bank following a credit crunch and a loss of liquidity in the early 1990's. (3)

So, too, would a Dutchman named le Maire, credited by institutional historians as not only having been a shareholder in the first East India Company, but also as the probable inventor of the process of short-selling stocks. His practice of borrowing shares in the expectation that they would depreciate lasted from 1602 to 1609, enough time for him to acquire great wealth only to see Dutch officials strenuously intervene citing a negative pressure on otherwise worthy corporations. A ban on the practice remained in place, was later lifted in light of liquidity concerns, yet issued again in modified form during the past week by the Netherlands, followed shortly thereafter by a cautious Euronext stock exchange. (4)

A search for historical parallels has stretched back beyond the Great Depression of 1929 and into the administration of Theodore Roosevelt when, during the panic of 1907, depositors fled local banks throughout the country and the stock market fell and fragmented all the while a lack of regulatory powers led ultimately to the formation of a coterie of bankers, forcefully managed by J.P. Morgan, to contribute large sums to a pool that then shored up failing assets. (5)

Earlier in the Roosevelt administration there had been a series of agonizing negotiations between coal mine owners and a striking labor force that occurred over a four and one-half month period in 1901. The frenetic correspondence between the trust buster and his friend Henry Cabot Lodge in the months leading up to the

November election feature a frustrating failure to find any real trust to confront, job losses, school closings, and a devastating winter without household heating supplies. (6) Negotiations again relied on bankers with the addition of railroad owners and the coal miners' union, but did not reach a preliminary settlement until business accepted what Roosevelt felt was more than an awkward addition to the negotiating table, a union leader and former railway conductor who was for the moment at hand dubbed an 'eminent sociologist.'

In the future, sociologists and historians of corporate governance will undoubtedly assess just how a settlement to the current financial turmoil was reached given the contemporary regulatory powers current administrations have inherited and built upon. The widespread popular voice that was lacking in prior financial crises may become an integral part of this future assessment. At the moment, presidential candidates of the two major US political parties are receiving about an equal share of the projected vote while the 22% of the electorate that represents independent, registered voters appears not to have reached a conclusion as yet. Whatever the outcome, the November elections of 2008 promise to surround what many perceive as opaque, overly risk-taking behaviors with a healthy dose of political realism.

(1) Cardais, S. Adam. " A Bad Week on the Bear's Market. TOL Online,9/24/2008. (2) Brooks, David. "The Establishment Lives." New York Times, 9/23/2008. (3) Sutinen, Teija."US Economic Crisis, Finnish Déjà vu.' Helsingin Sanomat, 9/23/2008. (4) NRC Handelsblad."Dutch Invented Short selling in 1609." 9/22/2008. (5) Greenway, H.D.S. "H.D.S. Greenway: The Panic Of 1907." International Herald Tribune. 9/23/ 2008. (6) Selections From the Correspondence of Theodore Roosevelt and Henry Cabot Lodge, 1884-1918, Vol. I. (Pp. 531-538).New York and London, Charles Scribner's Sons.