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Swing Time

Creating a poster child for the current economic situation is difficult (although Madoff as the evil Joker might win easily). So many choices. Over here we have GM, for most of our lives the largest car manufacturer on the planet. We now perceive that GM grew fatter, dumber, and more arrogant with each passing year: bad product decisions, costly concessions to unions. AIG, meanwhile, grew from a successful, if stodgy, insurance company to the largest insurer in the world by turning loose its smart guys to take risks on a colossal scale, acting as though they believed there was no end to up. The arrogance and the greed contributed to—may even have been the primary cause of—our financial disaster.

The beauty and strength of the American economy lie in its energetic and diverse innovation, forever reinventing itself. It's not like European systems that have the same inflows and outflows every year. We have eBay and Amazon where there was nothing before, and companies like IBM and Microsoft that keep finding new ways to respond to, as well as to shape, the business environment. That's what the American economic system is all about. We do R & D after breakfast, retool after lunch, and outperform the other guy day in and day out. We love to make a profit and a fair return on investment and believe deep down, most of us, in doing the right thing with our surplus, plowing it back in, expanding for the common good.

In the course of these activities, the pendulum of regulation swings. Some companies, like GM, get bogged down in a corporate culture where they really can't get out of their own way, never mind see the future. Others, like AIG, see opportunity and capitalize on it to help the future become a reality. Sometimes, of course, such companies come off like Wiley Coyote -- three feet beyond the edge of the cliff, legs still spinning. Many people are asking: What should the role of government be in this setting? Regulator? De-regulator?

Clearly, the nation's task, after rescuing the economy, is to find some middle ground. If we over-regulate or remove the profit incentive from our system, we lurch toward socialism and stagnation. If we don't regulate these behemoth companies, whose corporate failures bring down the entire economy, we are being incomprehensibly foolish.

Thus, the current administration certainly has its hands full . . . with duct tape and superglue, it must patch up our Humpty-Dumpty economy so that recovery can begin. At the same time, as ordinary Americans are truly and justifiably upset with the lapse of governmental oversight, the government must judiciously inaugurate a new regimen aimed at protecting the system but not stifling it. A little bipartisanship would go a long way towards achieving this goal. Each party has tended to move the pendulum too far in one direction or the other when it's in power. As the philosopher once said, we must seek the Golden Mean.