



Rising above the blame game

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751 words

4 November 2008

Financial Times (FT.Com)

English

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In addition to the time-honoured witches and demons, current events inspired many of the revellers at the annual Halloween street party in New York's Greenwich Village to don a more unusual costume - Sarah Palin get-ups were the festival's surprise hit.

That day a senior Wall Street executive ruefully predicted to me that next year it will be New York bankers who are the nation's villains of choice.

In private, some of America's most influential business and political leaders are uttering the same warning: with the election resolved, the big political story in the US will be the wave of public anger directed at capital and capitalists, particularly of the financial variety.

In recent weeks, a former Clinton cabinet member warned a private equity firm he advises that this new hostility will be the single biggest threat facing the company. An east coast senator told a lunchtime group of Wall Street supporters that public anger toward them will top the political agenda, and expressed sympathy for the peoples' rage. A memo about the financial risks the new president will face prepared for Barack Obama's transition team listed as point one the possibility that "sympathetic victims drive policy response".

Some of this anger found expression on the campaign trail. During the primaries, both the right and the left produced their own quotable, southern populist: Mike Huckabee and John Edwards. The two senators who beat them vigorously took up that theme in late September, after the credit crunch metastasised into a fully fledged global economic crisis. Since then both the Democrat and the Republican have rallied against "Wall Street greed" and promised to contain it.

But this riveting election campaign, and the financial wildfire which erupted in the middle of it, may actually have served to muffle public anger. The financial crisis is the reason Wall Street is out of favour, to be sure, but from September 15, when Lehman Brothers went bankrupt, to October 13, when Treasury secretary Hank Paulson coercibly bought an equity stake in all of America's big banks, the urgency and the severity of the economic threat were so great as to preclude much of a hunt for culprits. The political battle, meanwhile, featured many rhetorical shots aimed at Wall Street, but the real fight was between the two political parties, and their two champions, who have been the main focus of public passion in recent weeks.

Today, that has changed. The credit crisis, ever so slowly, seems to be easing, and with it the fears of a second Great Depression. America has chosen a new president. The country now has the leisure to reflect on its economic plight - and demand that the man it elected yesterday act on its conclusions.

Americans already are unhappy - Wharton economists **Betsey Stevenson** and Justin Wolfers have found that overall happiness plunged in September, the month the Dow did, and has now declined as deeply as it did during the 1981 recession. Things are likely to get worse, with further economic contraction and concomitant job losses and bankruptcies. Moreover, the hundreds of billions the state has committed to shore up the financial sector have not translated into cheaper personal credit, or fewer foreclosures, for ordinary Americans.

Financiers are bracing themselves for a wave of public rage - hence, for instance, the recent meeting at which they agreed collectively to promise not to use the treasury's \$125bn capital infusion to pay bankers' bonuses. They know, however, that gestures like this one won't be enough.

One date the street is anxiously awaiting is next Thursday, November 13. That is when congressman Henry Waxman has summoned some of the country's leading hedge fund managers to Washington. His questions are unlikely to be gentle, but a leading Wall Street lawyer thinks public scoldings are the least his clients have to worry about: this crisis is sure to include Enron-style trials, he believes, and some bankers are certain to go to jail.

Americans will be pressing their new leader to help them determine who is to blame. That is, after all, a favourite question of angry people during turbulent times: it was one of the slogans of the Russian revolutionaries. If he is to be successful, the president-elect must find a way to move the national debate beyond this vengeful query to the other great Russian revolutionary cri de guerre: What is to be done?

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