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Read the article from *The New York Times* and outline the present and possible future consequences of the financial crisis.

From Trump to Trade, the Financial Crisis Still Resonates 10 Years Later

By Andrew Ross Sorkin

September 10, 2018

This week is the 10th anniversary of the inflection point of the financial crisis: the collapse of Lehman Brothers, the biggest bankruptcy in history. To some, it feels like a long time ago.

Yet, its effects still echo in the way we live today – in the attitudes that pervade our economy, our culture and our politics. It is hardly a stretch to suggest that President Trump's election was a direct result of the financial crisis.

The crisis was a moment that cleaved our country. It broke a social contract between the plutocrats¹ and everyone else. But it also broke a sense of trust, not just in financial institutions and the government that

oversaw them, but in the very idea of experts and expertise. The past 10 years have seen an open revolt against the intelligentsia.

Mistrust led to new political movements: the Tea Party for those who didn't trust the government and Occupy Wall Street for those who didn't trust big business. These moved Democrats and Republicans away from each other in fundamental ways, and populist attitudes on both ends of the spectrum found champions in the 2016 presidential race in Senator Bernie Sanders and Donald J. Trump.

The depth of financial despair during the Great Recession and the invariably slow recovery have

Annotations ¹ plutocrat = sb who is powerful because they are rich

unleashed a sense of bitterness that dominates the political landscape, culminating in Mr. Trump's electoral victory.

"We are almost at each other's throats when times are good," said Ray Dalio, the founder of Bridgewater Associates, the largest hedge fund in the world with some \$150 billion in assets, and the author of a new book, "A Template for Understanding Big Debt Crises," an exhaustive study of financial panics and the policies that both created and rescued them.

The deepest crises, he said, always lead to populism. And it should be no surprise that a crisis leads to conflict and, in some extreme cases, war. "I would be worried about the emergence of populism," he said, "because populists tend to want to fight with the other side rather than try to find ways of getting through it." Populists on every side of the political spectrum "have in common that they're confrontational," he said.

When I wrote "Too Big to Fail" nearly a decade ago, I knew that the crisis would redefine Wall Street and the economy, but I didn't appreciate how fundamentally it would redefine the political environment.

Amir Sufi, a professor of economics and public policy at University of Chicago's Booth School of Business and the co-author of "House of Debt," pointed to the financial crisis as the source of reduced civility a few months after Mr. Trump's victory. He conducted an analysis of 60 countries with his "House of Debt" co-author, Atif Mian of Princeton University, and Francesco Trebbi of the University of British Columbia. They found that such a response was "common and predictable," he wrote.

"Our conclusion: Financial crises tend to radicalize electorates," Mr. Sufi wrote. "After a banking, currency, or debt crisis, our data indicate, the share of centrists or moderates in a country went down, while the share of left- or right-wing radicals went up in most cases." In the United States, the crisis exposed an economy that had been a charade – one that most Americans didn't understand or appreciate. The use of debt had masked the real problems underneath the surface: a significant decrease in worker participation, automation that would take jobs and stagnant wage growth.

These issues long predated the crisis. But as Warren Buffett famously said, "You only find out who is swimming naked when the tide goes out."

In truth, our economy today is in much better shape than you might expect, with unemployment at 3.9 percent – lower than it was before the crisis.

Yet debates persist about the way the government, first under President George W. Bush and then under President Barack Obama, chose to respond to the crisis. Should it have done more directly for homeowners?

Should it have demanded more onerous terms for the hundreds of billions of dollars in loans to the banks and bankers, like restricting compensation and firing executives to demonstrate more accountability? Should some bankers have gone to jail?

For some, it is tempting to think that the government should have taken a more populist approach itself. If it had offered more help directly to the public rather than what was perceived as bailing out the banks, there is a suspicion that divisions could have been lessened, yielding a more united United States. But would it?

In Britain, the government did all those politically popular things: It restricted banker pay, it fired executives, it lent money to banks on onerous terms, it restricted spending.

It didn't work. The British economy grew significantly slower than ours. And the resulting resentment and bitterness were much worse than our own, leading to a manifestation of populism even more drastic: the unimaginable vote to leave the European Union.

It's not popular to say, but it's clear that the financial crisis was so deep and so painful that whatever populist positions policymakers took, the positive feelings would have been short-lived.

Timothy F. Geithner, the Treasury secretary under Mr. Obama, recounted in his book "Stress Test" a conversation that he had with President Bill Clinton as he was considering a more populist approach. Mr. Clinton told him, "You could take Lloyd Blankfein into a dark alley, and slit his throat, and it would satisfy them for about two days. Then the blood lust would rise again."

It doesn't help that the economic medicine used by policymakers after a crisis exacerbates those feelings of anger. The most efficient fix – lowering interest rates – helps the wealthy because they end up with cheaper mortgages and enjoy the benefits that low rates have on corporate growth. Those lower on the economic ladder, on the other hand, get little in interest on their savings. The gap between the haves and the have-nots widens.

But that approach actually works, pulling everyone along with it, even if it is uneven and there are greater beneficiaries than others.

There is one question I get more than any other: "Will we have another crisis?" The answer, of course, is yes. But it's not a Wall Street crisis similar to 2008 that concerns me. I'm worried about something far bigger. When I wrote "Too Big to Fail," that phrase was only used in the context of financial institutions. Today, it is used to refer to cities, municipalities, states and countries. If you look at the buildup of debt, that's the place to keep an eye on.

135 Unmanageable debt is the match that lights the fire of every crisis. You can have as many bad actors on stage as you want – greedy bankers, inept regulators, conflicted credit rating agencies – but unless there is significant leverage in the system, there's little 140 danger of a crisis. Our national debt is more than \$21 trillion, and it increased a trillion dollars in just six months under Mr. Trump, who rode populist and anti-establishment sentiment to the White House but whose policy choices have largely favored the 145 wealthy.

That's not the only cause for concern, either. If history tells us the political divisions we have seen since the financial crisis were predictable, then what does history have to say about what comes 150 next?

Mr. Dalio pointed to the chilling of international relationships that happened after the Great Depression as a worrying example of the divisions that can widen when populism fosters protectionism. “We started to have economic tariffs and we started to have back-and-forths of those things,” he said.

He paused for a moment, signaling he didn't want to contemplate what that later manifested. But he continued, “Which then, 10 years later, led to Pearl Harbor.”

There are, of course, many steps between populism and war. But Mr. Dalio said he saw similarities between the global environment that preceded World War II and the one we see today.

165 That's reason enough to never forget this crisis and its lessons.