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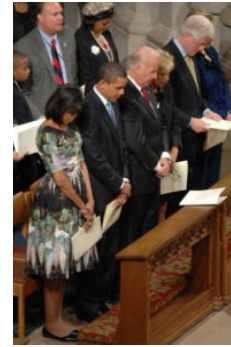
**Altruism: The Moral Root of the Financial Crisis**

Zeros in on the fundamental cause of the problem, showing that widespread acceptance of the morality of self-sacrifice necessitated the kinds of laws, regulations, and

Richard M. Salsman (<https://www.theobjectivestandard.com/author/rsalsman/>) | January 24, 2014

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Government intervention is once again wreaking havoc on the U.S. financial system and the economic security of millions of Americans—a tragic replay of previous crises. In 2008–2009, for the second time this decade (the first being 2000–2002), the value of U.S. publicly-traded stocks has plunged by 50 percent—but this time with an additional plunge in the median home price, which has dropped 23 percent from its peak in 2007. Thus American households have suffered declines of \$8 trillion and \$4 trillion, respectively, in the value of their two key assets—stocks and homes—and a 20 percent drop in their net worth, from its recent peak. Meanwhile Washington policymakers have mired Americans in yet another recession, with declining output, stagnant income, and a rising jobless rate. The current recession is not yet as severe as many prior ones, but it will worsen if interventions intensify.



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Relative to past economic downturns, few financial institutions have faltered or failed amid the economic turmoil of 2008–2009, but those that have include some of America's largest and most famous names, such as Merrill Lynch, Bear Stearns, Lehman Brothers, Citicorp, AIG, Washington Mutual, Wachovia, and Countrywide Financial. Since last fall, Washington has only further fueled a crisis that began modestly in 2007, by bypassing bankruptcy courts and instead bailing out or nationalizing these firms, or forcing healthy firms to absorb them (thereby weakening the healthy ones). Whereas since mid-2007 U.S. stocks generally are down 50 percent, those of large U.S. financial institutions have plunged 80 percent, the worst performance since the Great Depression. With every new government intervention in the sector, there has been only a quickening of capital flight and stock-price declines.

What caused the current financial crisis? If most economists, politicians, and commentators are to be believed, the cause is capitalism and its inherent greed. According to Democrat presidential candidate Barack Obama, “we excused and even embraced an ethic of greed”; “we encouraged a winner-take-all, anything-goes environment”; and “instead of establishing a 21st century regulatory framework, we simply dismantled the old one.”<sup>1</sup> As a senator last fall, Obama decried as “an outrage” the need for a bailout plan “to rescue our economy from the greed and irresponsibility of Wall Street” (and then promptly voted for it).<sup>2</sup> GOP presidential candidate John McCain said the financial crisis was caused by “greed, corruption, and excess,” as Wall Street “treated the American economy like a casino.”<sup>3</sup> With the *New York Times* in December, President Bush “shared his views of how the nation came to the brink of economic disaster,” citing “corporate greed and market excesses fueled by a flood of foreign cash,” concluding that “Wall Street got drunk.”<sup>4</sup> In his *New York Times* column, Paul Krugman, recipient of the Nobel Prize in economics in 2008, repeatedly blames the crisis on “deregulation” and free-market “dogmas.” Alan Greenspan—who for twenty years headed the Federal Reserve as Washington's money monopolist and top bank regulator—told Congress last fall that “those of us who have looked to the self-interest of lending institutions to protect shareholder's equity, myself especially, are in a state of shocked disbelief,” agreed that it was a “flaw” in his ideology, and called for still more government regulation—which led many journalists to declare, with glee, that “Greenspan Admits Free Market Has Foundered.”<sup>5</sup> The *Washington Post* traces the crisis to a U.S.-led “crusade to persuade much of the world to lift the heavy hand of government from finance and industry,” to

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