

SHAME

When I was a little boy and got in trouble for something, one of the first words I would hear is “shame”, as in “shame on you for eating your brother’s candy”.

As I got older, I realized I did not like hearing that word directed at me for it meant I was not acting the way I should. I preferred to hear the compliments that sometimes came from doing what is right; for acting in a manner that cast a positive light on me and those around me.

The New Concise Dictionary defines shame as “a painful emotion aroused by the recognition that one has failed to act, behave or think in accordance with the standards that one accepts as good; utter disgrace; something that causes disgrace.”

Certainly the actions of some individuals, Wall Street firms and government officials have been, and continue to be shameful. Yet, unlike the little boy who was punished for his actions and required to replace what he took, those responsible for this mess feel no shame. They keep what they took and now ask us for more.

William H. Gross, chief investment officer and founder of the investment management firm PIMCO, writing in the September 24th edition of The Washington Post said, “Capitalism is a delicate balance between production and finance. Today, our seemingly guaranteed living standard is threatened, much like it has been in previous recessions, or some would say, the Depression. Finance has run amok because of oversecuritization, poor regulation and the excessively exuberant spirits of investors.”

Gross suggests that the “bailout” is really a “rescue” of Main Street (you and me) as lending capacity and confidence is restored to our banks and the delicate balance between production and finance is given a chance, in his words, “to work its magic”.

As you read this, academic writers are no doubt re-writing economic textbooks. While capitalism may be the most dynamic and productive system ever conceived, it will not succeed unless there is another delicate balance; a balance between private incentive and government oversight. Do well and play by the rules, and you might be rewarded. Mess up and not act according to the standards that one accepts as good, then you will feel shame.

In my over 21 years of professional practice, I have experienced much. The market's volatility is nothing new. Banks have failed before and will again; old industries will fade and new enterprises will emerge.

Still, we find ourselves at an historical crossroad. The decisions we make in the next few days, weeks and months, will define the nature of our economic system, and perhaps our society, for the next fifty years. University of Chicago professor Luigi Zingales in his recent academic paper "Why Paulson is Wrong", suggests the core issues transcend money.

Do we want to live in a system where profits are private but losses are socialized? Should taxpayer money be used to prop-up failed firms? Would it not be better if we lived in a system where people are held responsible for their decisions, where imprudent behavior is penalized and prudent behavior is rewarded.

I hope my children and grandchildren look back on our decisions of today and say "thank you" rather than "shame".

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