

CRISIS

THE CRISIS IN THE AMERICAN FINANCIAL MARKETS, AND ITS WORLDWIDE reverberations, is generating a vast commentary on what went wrong and why. Many of the problems are being linked to the practices of the big financial firms, from the explosion of leverage to toxic lending practices to excessive compensation. Another significant part of the failure was political in nature. Warning bells, we now know, were sounding in Washington over mortgage titans Fannie Mae and Freddie Mac, the regulation of derivatives, and other issues for years—unheeded. At a broader and deeper level, the financial crisis is a cultural crisis, raising the most basic questions of how we understand and live out our obligations to one another.

We normally think of a crisis only in negative terms. Originally, however, the word did not have this connotation. “Crisis” was first used in a medical context referring to the turning point in the progress of a disease, for better or worse, toward recovery or death. The *Oxford English Dictionary* offers this example from 1748: “When he found I had enjoyed a favourable crisis, he congratulated me.” Whether or not we have reached the “crisis” of our current economic problems, the outcome for our society may yet be favorable.

If so, more than sound fiscal policies will be necessary. This moment presents an opportunity to reconsider the normative foundations of economic life. We might, for instance, relearn old lessons about the social prerequisites that are necessary for markets to function for the public good (see “Forgetting the Obvious”). We might reappropriate our tradition of “thrift” to develop new ways of articulating the interdependencies that in fact tie us together (see “A Bailout of a Different Sort”). Discussion of matters such as these won’t ease the near-term pain. But on the wider horizon, recovery requires that we attend to them.

—JED

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