

## **Why greed's just too small a word to hang a crisis on**

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PUNDITS, letter writers, talk-back radio callers, John McCain and the Prime Minister all agree: It Woz Greed Wot Done It. In a speech in Sydney last week, Kevin Rudd recalled the movie Wall Street and its main character, Gordon Gekko, before declaring that the era of "greed is good" is over. And McCain's campaign — or at least what is left of it — has been busy blaming money-hungry fund managers for the financial crisis.

It seems that everyone knows who the villains behind the crisis are — those greedy, greedy share traders who grubbily fondle their portfolios with their fat, stumpy fingers, and all those greedy consumers hoarding investment properties. But if there's one thing constant in human history, it is greed. Even 2000 years ago, Roman moralists sounded old-fashioned when they complained about the avarice of the common people — the satirist Gaius Lucilius wrote that "a man can be cured of his lust, but never a fool of his greed". So greed wasn't invented with Facebook.

The causes of the financial turmoil have to lie elsewhere.

An extraordinarily elaborate patchwork of national and international regulation gave banks and traders a false comfort that regulators were protecting their investments. And after September 11, the US Federal Reserve lowered interest rates, making it seem that only a sucker wouldn't borrow vast sums for their home. Restrictions on land use in many areas raised house prices so high that it became almost impossible to buy a home without borrowing 20 times your annual salary. Compounding all this were government policies that encouraged banks to loan to individuals with non-existent credit histories.

On the other side of the market, traders relied on complex models of the riskiness of certain assets that, it is now clear, were systematically hiding dodgy mortgages. The existence and practices of quasi-government mortgage lenders — Fannie Mae and Freddie Mac — further obscured the riskiness of subprime lending and, indeed, the risks of subprime borrowing. There was a lot of hubris — Western democracies have seen decades of rising house prices and traders have increasingly filled their investment portfolios with assets that appear far removed from the individual debtors at their source.

So, where is all the "greed"? Share traders working hard to increase wealth isn't greed — it's their job. And if we are to be completely honest, most Australians would prefer that their super fund managers were eager to beat the market.

It was complacency, not greed, that made everyone underestimate how risky their investments actually were. Greed might be a deadly sin, but so is sloth.

Even if greed did cause the crisis, then it was greed unfulfilled. All those sharks who have spent their careers scurrying around the big banks and mortgage houses looking for investment opportunities have had their dreams of mega-wealth spectacularly dashed. After all, it wasn't the CEOs packaging up those dodgy assets; it was the ambitious middle-rung traders who are now filing out of their offices. It's easy to be greedy. It's a lot harder to be successfully greedy.

It is sort of understandable that people are trying to portray the financial crisis in moral terms — there are a lot of people watching their small investments hit bottom, for reasons that are complex and technical.

But the financial crisis is not a crisis of consumerism, or of morality. The international banking system isn't a telemovie of the week, where the good guys are obvious because they love their mothers and the bad guys have silly moustaches and curse a lot. Gordon Gekko is a character in a movie written and directed by Oliver Stone — a guy who thinks that the US government is competent enough to execute its own president and keep it a secret. Wall Street is not a documentary; it is a well-executed caricature.

And it is remarkably patronising to tell people who are living in rented property that owning their own home would be greedy. Greed is easy to identify in others, but hard to identify in yourself.

There are serious discussions going on about what regulations caused or failed to prevent the crisis. But trying to compress the world's economic problems to a cheap morality play helps no one.

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