The Crisis Reaction

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I enjoyed Lo’s perspective, in particular how he related physiological responses to patterns of investments by Wall Street professionals. In such, he dives deeper than the coarse popular perception of Wall Street bankers as “greedy”. In many ways, they could not survive unless they played along. And while the music was playing, everyone was having a great time. However, when the music stopped, the system broke hard.

I also found Solow’s review of Posner’s book to largely reflect my views.

One thing which I would like to explore more is the link between “Wall Street” and “Main Street.” The last two or three years have been pretty good to Wall Street, but unemployment on Main Street remains stubbornly high. Why is that? It is true, we have largely avoid deflation on the core of the goods we use. How does that play in? Is the economy going well for the 90% with a job, but offers no relief (in the form of lower prices) for the jobless? Is the change in job structure structural?

I also agree with the view point that people are not eminently rational. In particular, traditional economics assumes perfect information. But how much work does the average person put into picking their 401k? My mom was recently in the position of having to pick from a menu of a few options. Without doing days of research, I was not able to make a recommendation. How is a person supposed to pick? This is what worried me about Bush’s Social Security Privatization plan and Obama’s Health Care Exchanges.

I found the comment on the lack of a larger social perspective of Wall Street particularly interesting. Convincing others that your actions are in the public interest is the hallmark of lobbying. If Wall Street can’t find some smart people to construct a public interest defense for them, I am truly worried.