



Institutions or Individuals?

Different views on financial collapse

"The history of the world is but the biography of great men," said Scottish historian Thomas Carlyle in a famous 1840 Portman Square lecture, and ever since, scholars have embraced the Great Man theory, the idea that influential individuals—saints, generals, politicians, leaders of all sorts—shape the course of history. Understanding the past through the prism of people as disparate as Mohammad and Mussolini, from Alexander Hamilton to Adolf Hitler, has long provided a convenient structure and—perhaps—a cogent explanation.

But critics of the theory have countered that powerful individuals are themselves shaped and their actions channeled by even greater societal forces; analyzing history as if individual people can change humanity is naïve and simplistic, they contend. Cultures, economies, laws and institutions are at the heart of change, and individual actions are the result, not the cause, of historical transformation. As English philosopher Herbert Spencer observed: "The genesis of a great man depends on [a] long series of complex influences."

Economists tend to reject the Great Man theory—and not only because it was Carlyle who anointed economics "the dismal science" (in his 1849 proposal to reintroduce slavery in the West Indies, no less). Economists analyze markets, after all, and individuals are simply agents responding to incentives within those markets. Market forces, not men, make economic history.

This debate comes to mind when observing recent events in Washington and New York, as legislators debate financial reform, and as regulators look into financial firms whose executives may have misled investors, and thereby "contributed to the recent financial crisis," as stipulated in the Securities and Exchange Commission complaint against Goldman Sachs and its employee, Fabrice Tourre.

At the core of both regulatory reform and regulator inquiries is the question of whether financial crises are caused by bad policies or bad people. And by extension, can future crises be avoided by reshaping regulatory rules and institutions, or is punishment of individual scoundrels the best deterrent to future bad actors? Congress, it seems, is of two minds: At the same time that it drafts major regulatory reform legislation, it scolds big bank CEOs in well-publicized hearings.

The "institutions or individuals" dispute is also reflected in the novels reviewed in this issue of the *Region*. On the surface, *Union Atlantic*, by Adam Haslett, and *The Privileges*, by Jonathan Dee, dis-

play striking parallels. Both are set on the east coast of the United States in the early-to-mid-2000s; their most prominent characters rise from working class backgrounds to the heights of the financial world under the wing of (somewhat) blindly loyal mentors, and with the aid of young subordinates who carry out their illegal financial bidding. Each protagonist—spoiler alert!—ends up in a foreign land, largely untouched by the law.

But while both novels depict individuals creating and coping with financial booms and busts, institutions play a prominent role only in *Union Atlantic*. Though written before the 2007-09 crisis, it provides a prophetic if fictional account of an investment bank whose imminent collapse might be prevented through efforts coordinated by the Federal Reserve, which may deem it too big to fail.

The Privileges, in contrast, focuses on the internal motives of a couple skirting the law in New York's financial world. Yes, the term "bailout" is mentioned once in *The Privileges*, but in reference to spouses saving one another from bad life choices, not to a financial firm rescue. In *Union Atlantic*, a bank bailout is a fundamental plot point.

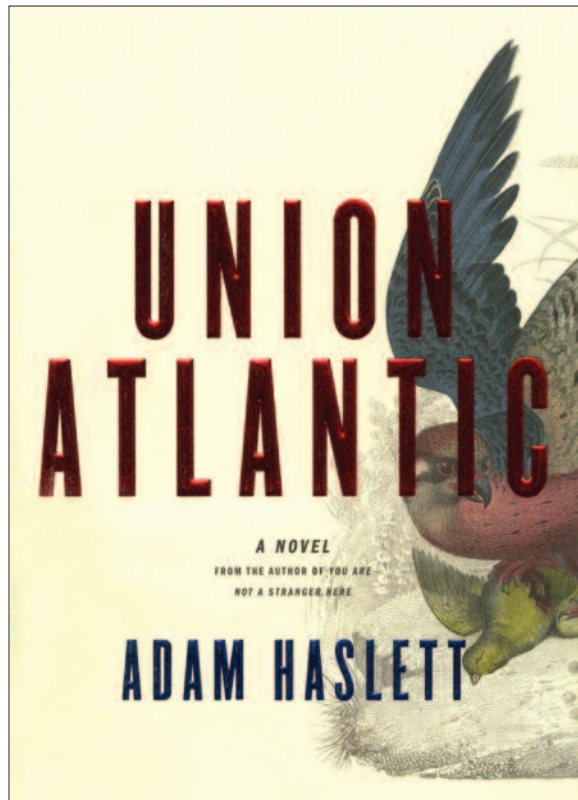
The Privileges, in other words, can be said to lie in the Great Man camp: Individuals are the central actors; their personal goals motivate them, their morals channel their actions and those actions move markets. The book explores how individual needs—for money, status and identity—can subvert the financial system, but the system itself is almost peripheral. Individuals, not institutions, are the focus.

Characters are also essential to *Union Atlantic*, but the role of financial institutions—the Federal Reserve in particular—is far more significant. Indeed, *Union Atlantic* provides a remarkably lucid and largely accurate description of the Fed and the international financial system, and of how investment banks operate prior to and during financial crises.

With all of that as preface, we've provided reviews of both novels. Each book is an excellent read; which of them you pick up may depend on your world view. From one of our reviews you'll appreciate a novelist's grasp of a financial system in distress and how the system copes. From the other, you'll see how a writer explores the psyche of those who game that system.

As dismal economists, it must be said, we're partial to the first approach.

—The Editors



Union Atlantic

By **Adam Haslett**

Knopf Doubleday

304 pages

Reviewed by **Ryan Williams**

Associate Librarian

The havoc wreaked by the Great Recession has inspired a desperate scramble for answers. Like investigators sifting through tangled wreckage at a crash site, financial world experts have labored to piece together a convincing and complete story about what went wrong and who ought to be held responsible. Although economists, journalists, politicians, bankers, regulators and innumerable others have all generated theories (ranging from the studiously rational to the apoplectically partisan) on the nature and causes of the disaster, no overarching consensus has yet emerged.

Into this melee of conflicting narratives enters a bold and perhaps foolhardy new challenger: Adam

Haslett, a fiction writer of modest renown, whose audacious novel *Union Atlantic* takes a swinging stab at penetrating the mysteries of a financial world in crisis. At first glance, Haslett would seem unlikely to measure up to the task. Although his sole previous book, the 2003 story collection *You Are Not a Stranger Here*, received critical plaudits including nominations for the Pulitzer Prize and the National Book Award, Haslett's work is not well-known outside literary circles. More significantly, Haslett, who attended the Iowa Writers Workshop and earned a law degree from Yale, possesses no obvious background qualifying him to slice convincingly through the Gordian knot of questions presented by the crisis.

It's perhaps surprising, then, that when Haslett loses his footing in *Union Atlantic*, his stumbles do not stem from flaws in his understanding of economics and finance, but instead from faults in literary technique. He favors broad caricatures over realistic characters, and his prose quavers uncomfortably between the functional ("A rabid Bruins fan, his conversation didn't extend much beyond hockey and derivatives") and the florid ("Anywhere people lived memory collected like sediment on the bed of a river, dropping from the flow of time to become fixed in the places time ran over"). Fortunately, such problems don't overwhelm, and Haslett displays a knack for bringing the financial world to life on the page. He stages several entirely credible scenes within the bowels of a big bank teetering on the edge of collapse and succeeds equally in bringing off passages set in the august interiors of the Federal Reserve Bank of New York.

No detail related to the inner workings of the financial system is too trivial to escape his attention: At one point, he pauses to note that all of the paintings hanging in the New York Fed building were produced by artists who lived in the Second District and then cites the precise terms on which they're borrowed from the Metropolitan Museum of Art. In another passage, he offers a lyrical paean to the importance of payments systems—a miraculous feat for any author. Clearly this is a writer who has done his homework.

That Haslett actually completed the book not long before the recent crisis took place offers further testament to the quality of his research. Indeed, Haslett turned in his manuscript the same week that

Lehman Brothers went under. In light of that fact, some sequences in the book are uncannily prescient—such as when his fictional New York Fed president deliberates over whether to prevent the imminent collapse of a too-big-to-fail megabank.

No doubt professionals will be able to spot the occasional error, and *Union Atlantic* won't stand as the definitive diagnosis of the ailing global financial system. Regardless, Haslett offers a highly plausible account, and has succeeded in producing a substantial and engrossing first novel.

"Special plans"

The fictional bank in the eye of the storm is called Union Atlantic, and many of its troubles stem from a series of risky but lucrative operations engineered by a brash, amoral investment banker named Doug Fanning. At 37, Doug reigns over Union Atlantic's ominously named "Division of Special Plans," a shadowy unit dedicated to pumping up the bank's size and strength. Before his arrival, Union Atlantic was a conservative and well-behaved regional institution, one that "took in deposits, offered checking accounts to the public, and made loans to businesses." But then Doug went on a spree of acquisitions, and the bank quickly bulked up to mammoth proportions, like a veteran slugger on steroids. Although the numbers he posted were suspiciously stratospheric, nobody saw fit to object—at least not while his team continued to knock everything out of the park.

After taking it on the chin in the post-9/11 bear market and the Argentine debt crisis, Doug decided to engage in proprietary trading—investing the bank's own money and with the bank's profits alone in mind. Although this would not have earned Paul Volcker's approval, it succeeded marvelously at boosting Union Atlantic's short-term bottom line. Unwilling to stop there, Doug soon expanded into extremely risky and unambiguously illegal activities. When a subordinate with his hand in the till incurs an enormous loss in a fraudulent deal, Doug's superiors finally start asking questions, and the bank's enormous exposure comes to light. With Union Atlantic on the verge of implosion, Doug's boss has little choice but to beg the Fed for mercy.

"Truth lay in the aggregate numbers"

Thus we meet levelheaded Henry Graves, president of the New York Fed, who reacts to Union Atlantic's troubles swiftly and pragmatically in the hope of forestalling the collapse of the global financial system.

Henry's father, "a scourge to penny-stock fraudsters and pyramid schemers," worked for Roosevelt's SEC, and from him Henry inherited a trust in "the government as the good leveler of the field." But unlike his father, a zealous true believer, Henry favors moderation and holds that there is no better way to look out for the little guy than to promote stability and safety on a broad systemic level. "Truth lay in the aggregate numbers," he concludes during the thick of the Union Atlantic crisis, "not in the images of citizens the media alighted upon for a minute or two and then quickly left behind."

Then there's Charlotte Graves, Henry's decidedly immoderate older sister, a teacher who believes that the small-town New England of her youth has lately become overrun by ignoramus-es who favor short-term profit over history, nature and culture. In Henry's eyes, Charlotte is "the classic mid-century Democratic idealist, who'd lived long enough to see hope's repeated death," and for Haslett, she serves as the foil to Doug's rapacious brand of free-market fundamentalism.

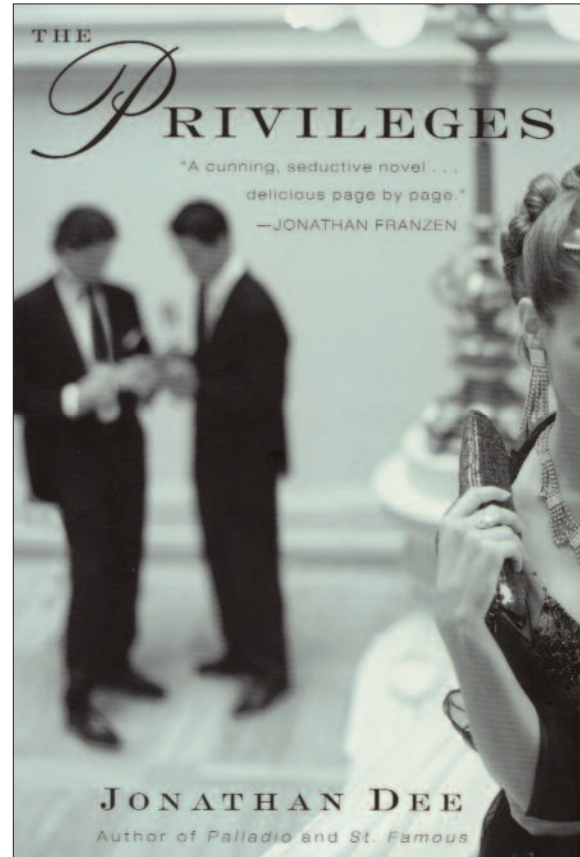
Haslett develops this parallel without subtlety: As much as Doug is a caricature of a greedy banker, Charlotte too neatly represents the soft-hearted and muddle-headed opposite. But the fact that he portrays Doug as little short of a sociopath does not mean he holds all bankers in low esteem—and indeed, another Union Atlantic employee acts selflessly and courageously during the bank's darkest days. The heroes and villains of the novel are distributed widely and without prejudice among bankers, regulators and ordinary citizens. Ultimately, Haslett's aim is not to advocate for any one point of view, but instead to demonstrate strengths and weaknesses of each and to warn that the clash of ideologies can transform a bad situation into a catastrophe. Like Henry Graves, Haslett aims for the middle path.

This does not mean that Haslett wholeheartedly endorses Henry's course of action. The book's conclusion evinces little hope that the actions of well-meaning individuals like Henry (or institutions like the Fed) can succeed in protecting citizens and economies from systemic threats. But Haslett sees no better alternative than Henry's rational moderation and clearly believes that the world would be worse off if cooler heads lacked the power to hold immoderate people like Doug and Charlotte in check.

The whole story

Union Atlantic closes without taking a stand on the contentious issues surrounding financial crises. Readers seeking transcendent clarity will not find it here; the book's thicket of carefully crafted ambiguities and ironies remains almost entirely unresolved. This approach is sometimes extremely frustrating, particularly when Haslett seems perversely determined to make his novel as complex and confusing as the global financial system itself.

But in the end, Haslett's refusal to see his subject matter (as opposed to his characters) in terms of black and white becomes the book's greatest strength. An economist must argue that a given model does a better job of elucidating an issue than competing explanations, a politician must justify choosing one policy over others and a journalist must struggle to articulate the account of events that comes closest to objective truth. But a novelist works under none of these burdens and is freed to embrace any and all viewpoints on a controversial issue, or to uniformly reject them as inadequate or incomplete. Every policy decision creates winners and losers, and no news story or economic model can hope to perfectly represent the astoundingly complex and frequently contradictory real world. But fiction thrives on ambiguity, and it is in that respect that Haslett's novel offers a unique contribution to the discourse on the financial crisis. *Union Atlantic* presents a potent reminder that no single narrative about a crisis can hope to tell the whole story. **R**



The Privileges

By **Jonathan Dee**

Random House

258 pages

Reviewed by **Cynthia Baxter**

Executive Assistant

People have always been fascinated by the super rich—"Lifestyles of the Rich and Famous" was a ratings winner for 11 years. *Forbes* annual list of the richest Americans is hugely popular. We love to hear about the Vanderbilts, the Rockefellers, the Donald.

Criminals hold the same fascination. Where would entertainment be without crime? No "Godfather," "Bonnie and Clyde" or (gasp!) "CSI."

So we are *really* fascinated by that special hybrid, the criminal super rich—Bernie Madoff, Martha Stewart, Tom Petters—and Wall Street tycoons and

financial world wizards who play by their own shady rules and pocket billions. We may be outraged at big bank bailouts and AIG bonuses, but we're no less intrigued by the people at the heart of the schemes that, legal or not, seem criminal in their consequences. Who are these people? Why do they do it? *The Privileges* is Jonathan Dee's answer.

The inside story

As Gordon Gekko said in the movie "Wall Street," "If you're not inside, you're outside." Reading Dee's new novel takes the reader deep inside, not just the life of privilege, but the path that his protagonists, Adam and Cynthia Morey, take to get there. This is a dramatic whirlwind of a novel with darkly comic touches in which the life that the Moreys want, they get by sheer dint of desire. They chart their path with startling certainty that all will go precisely as planned. And, yes, for the most part it does.

In the flurry of Wall Street's recent heyday—just before crisis struck—this charmed couple begins their life together with impatience and a "faith in their own future, not as a variable but as a destination." They are determined that their future—and soon, that of their children—must be one of limitless possibility, which to them, equals wealth. Their surname's similarity to "Money" seems more than coincidence.

Adam and Cynthia marry straight out of college. Adam signs on with a private equity firm and quickly finds success. But before long, ambition soaring, and with curiosity bred of arrogance about his money-making acumen, Adam dives into the dark side of the markets. He never looks back.

For her part, Cynthia raises the children, April and Jonas, with equal parts anxiety and pride. She wants them both to need her and to be completely independent so that she can "do some good in the world, or at last to feel like her presence in it was value-added." She gets her wish: Along with a vast apartment overlooking Central Park, she has a life of social engagements in which she is the central figure—and no plastic surgery needed (but it will not be ruled out). And the children become independent in ways she might not have intended, as they struggle with the notoriety that comes with their family's fortune.

Dee creates complex characters, especially with Cynthia Morey. She is beautiful and ambitious for herself and Adam, and like Adam, she is motivated

by more than wealth. Their drive is to be more than just a part of the 1 percent of society that they rub elbows with. They demand of themselves that they will rise above even that tiny segment of the population. Dee provides a lively, scary, funny and ultimately captivating look into a side of human nature that most of us only try to imagine as yet another criminal mogul headlines the news.

Rules of their own

As in his previous novel, *Palladio*, Dee explores characters who would rather devise their own rules than live by an order that doesn't give them what they want or, perhaps, need. His sometimes furious, driven, powerful, intelligent and conscience-free characters always have forward movement; they don't hesitate for a second, and they don't apologize. *The Privileges* is a portrait of people who don't need to rationalize the criminal manner by which they get what they want; after all, they deserve it. Dee's portrayal of the Moreys is both penetrating and nuanced, conveying the sense that they are completely human—not black and white caricatures, but flesh and blood. It is easy to get sucked into a kind of weird empathy for the Moreys, particularly the daughter April, who provides the most straight-out-of-the-tabloids twist to the novel.

Also as in *Palladio*, Dee delves into the world of art. He describes the New York art scene as a game of finding something that no one else has found, a test of who can first acquire the previously undiscovered. Jonas, who has embraced his ordinariness rather than his wealth, gets deeper into the avant-garde than he bargains for.

There is no time wasted in this novel; Cynthia and Adam never stand still. The only time they do stop to reflect is to complain that they are not moving. They are full of impatience, waiting for "a new day to start," annoyed by "toxic stasis" and distressed that "time was going by, and the life around you started to calcify."

Adam does not see the need to stop at mere success. As he amasses an almost unthinkable level of wealth, his ethical checklist is lost in the vortex his rise has created. He tells himself he is one of the few who has the courage and ability to actually get what he thinks everyone wants. He feels "invincible, like a martyr, like a holy warrior"

at his success in the game of finance.

Cynthia is similarly unencumbered by anything other than an instant of concern—not fear—that Adam might be caught. In a key scene, Adam commits himself full time to his illegal schemes and tells Cynthia about the true nature of his work. A moment passes when a tear just might fall, but then, no. She buys in 100 percent. Like Adam, she has complete belief that they have earned their place in the top echelons of the rich for no reason other than they made it happen as they decided they would.

This is the time for Cynthia to get to that “value-added” position on the philanthropic side of society. She sees no incompatibility between the money she donates and how it is made. “People would love nothing better than for you to turn out to be hypocrites and scumbags instead of the generous, caring family that you are,” their attorney cautions when Cynthia’s self-named charitable foundation is in danger of becoming involved in scandal. Her response? To notice that her badly hungover daughter—at the center of the scandal—is “irreducibly gorgeous,” and their money, regardless of provenance, will keep her name stainless.

Take a breath

The novel is neatly divided into four sections, allowing readers to take a breath before racing along with the Moreys’ steady rise to the top. Each section is the next phase in the journey for Cynthia and Adam, a journey contained in Manhattan, the Hamptons and fleeting trips to exotic, offshore-banking locations. The decisions they make to propel them ever higher and wealthier are a natural progression, so the novel, like the Moreys, is constantly moving.

Dee has taken a completely unsentimental look at this world of people who truly personify the end justifying the means. Adam and Cynthia believe that “money was its own system, its own language, its own governing principle.” There is nothing in particular they want in life other than everything. Yet Dee has managed to create complex and funny characters who are not entirely unsympathetic. They may be mercenary to the nth degree, but they are not cynical—they seem, if not honest, then straightforward, candid even, and unapologetic. Adam’s choice to do what the “legions of pathetic sullen yes-men” won’t do is treated as a logical

career move, not a greedy grab at the high life.

Nor does Dee apologize for or psychoanalyze his characters. There is no attempt to show that a hidden motive accounts for their decision to obtain wealth illegally. It is simply the most direct path to their goals. And so Dee has crafted a thoroughly good read about people we might expect to despise, but don’t. His exploration of “who” and “why” subverts that impulse. He makes the Moreys—and their factual counterparts—human, not evil; they are barely even criminal, except that, in the end, they are. **R**