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Monstrous Moral Hybrids

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Sunday's dinner of the Society for Development of Austrian Economics featured a keynote from George Mason University economics professor Richard Wagner. The talk brought back a lot of memories for me. Wagner was chair of my dissertation committee and it was in his graduate public finance class (back in 1992?) that I first gave any thought to Fannie Mae and Freddie Mac when I wrote a paper on government sponsored enterprises. Little did I know I'd spend much of the following years working to reform Fannie and Freddie.

During his [talk](#), Wagner invoked a term first used by Jane Jacobs: "monstrous moral hybrids." I suspect Jacobs used the term to describe how Robert Moses managed to wield unaccountable power over development in New York City (Caro's account of Moses, [Power Broker](#), still being the single best read on city government). Ms. Jacobs describes two distinct moral syndromes, commercial and guardian. Obviously commercial pertains to the market, while guardian can pertain to government. The monstrous moral hybrids are when we get the worst of both instincts combined in one entity. For instance, I generally view competition as a good thing; however, competition underwritten by government

guarantees will almost always lead to disaster. Its competition without the discipline of failure.

I repeatedly watched, while working in the Senate, Fannie/Freddie invoke their “private” nature in order to avoid regulation while invoking their “public” nature to gain protection and privilege. The result was little accountability from either the market or the government (our largest banks currently enjoy a smaller version). Of course, one of the primary differences in debates over financial regulation is the degree to which one believes that either the market or government provides accountability. Setting aside those debates, we should all be able to agree that companies should be either private or government. That the mixing of the two, government sponsored enterprises, is a recipe for avoiding accountability and transparency. But then I suspect that might have been the intent all along. Monstrous moral hybrids by design.