

Hooray for Hollywood



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This issue of *Region Focus* examines aspects of the entertainment industry in the Fifth District. The cover story touches on the role of the movies in our economy. I would like to reflect a bit on the reverse relationship, the role of the economy in the movies. Some people believe that Hollywood films express an anti-market bias, especially with regard to financial markets. One might get this impression from the innumerable villains who happen to work in the fields of banking and finance.

Of Hollywood's many wicked financiers, two stand out. In "It's a Wonderful Life," George Bailey is driven to the brink of suicide by the cynical machinations of the town's bitter old banker, Henry Potter. This banker is seen as a menace to the townsfolk's self-sufficiency and spirit. If not for the Bailey Building and Loan, Bedford Falls would be at the mercy of Potter and his greedy schemes. A more modern form of financial greed was portrayed in "Wall Street" as a young trader comes under the influence of corporate raider Gordon Gekko. A heartless financial deal-maker, Gekko ruthlessly pursues every profit opportunity.

On the surface, then, Hollywood appears to view banking and finance as destructive forces. But this may be a little unfair to Hollywood. After all, every good story needs a villain. That villains are often drawn from the financial world may be more a reflection of the many opportunities people in such positions have for mischievous behavior rather than a general condemnation of the banking and financial industries.

Banking is not an inherently bad activity in the world of Bedford Falls. On the contrary, it is the banking business of George Bailey's Building and Loan that has allowed the town's common folk to weather the Great Depression and return to prosperity. And one of the most dramatic moments in "Wall Street" occurs when Gekko addresses a shareholders' meeting. His speech articulately makes the case that open

financial markets help to discipline the sometimes insulated management of large corporations. While the film (in my view) offers no virtuous financier to stand in contrast to Gekko, Gekko's speech makes it clear that financial markets play an essential role in our society.

While some individual bankers and financiers may be villains, banking and finance are not. Potter and Gekko are not bad guys because of their line of work, but rather because they don't play by the rules. Potter is a monopolist who would manipulate the market process to enrich himself and ruin others. Unable to eliminate the Building and Loan through fair competition, he deviously seeks to achieve his goal by hiding the truth when he knows the whereabouts of the money that Uncle Billy has displaced. Gekko is undeniably a greedy market player, but he only becomes a true villain when his greed is no longer constrained by the rules of the game. He breaks the law by actively seeking out inside information on which to trade.

So maybe Hollywood views banking and finance more positively than we give it credit for. We really should not view free markets as a panacea for all of society's ills. In spite of the enormous benefits they offer, their very openness presents opportunities for manipulative and dishonest behavior. There will always be some individuals who cannot resist the temptations such opportunities create. If there weren't, we wouldn't need law enforcement, and the movies would be a lot less fun.

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