



Winthrop Perspectives

History and Economic Crisis

George David Smith

February 2009

Now more than ever, history is a hot subject. Why history, why now?

As events seem to spin out of control and all bets seem to be off, the only thing we can know for sure is what our collective experience has to offer. The new U.S. president turns to the presidency of Abraham Lincoln for lessons on how to govern. The chairman of the US Federal Reserve looks to the monetary history of the Great Depression in hopes of avoiding the same policy mistakes. The chairman of General Motors turns to the Second World War to explain how his company became burdened with extraordinary “legacy costs.”

In this worst economic and financial crisis since the Depression, Winthrop historians have been uncommonly busy. Everyday we find ourselves fielding questions from clients and the media: Are we in for another Great Depression? Can we expect a long struggle or is this just another short-term financial crisis? How did the wheels fall off the American auto industry? Can government get us out of this mess, or is it better to let the market take its course? Are we on a path to socialism?

Many questions are specific to our clients’ own businesses: What have successful companies like ours done in the past to recover from hard times? What can we do to anticipate (or defend against) more regulation? What happens to competition in industries like ours when markets slow down? Should we be cutting costs, or investing in people, capital, and ideas? How can firms ensure that their managers act in the interests of their owners and other stakeholders during this time of crisis?

Mark Twain said it best: “History does *not* repeat itself, but it *does* rhyme.” No two events are ever identical in their details or in their contexts. But it is in the rhyming that we begin to recognize the general nature of our problems and the questions we need to pose in order to move forward. It is a modern conceit that our problems are unprecedented. In fact, others have walked down similar paths before, and we can profit from their experience.

To that end, we have launched a new series entitled *Winthrop Perspectives*. Here, we will share some key lessons that we and our clients have learned from their own histories as well as from the comparative study of other organizations and industries. The first of these, “Leading in Uncertainty: Four Proven Principles from History”, by John Seaman and Margaret Graham, offers some time-tested principles designed to help firms, in the midst of crisis, re-assert control over events, now and for the future.

About the Author

George David Smith is a Founding Director of The Winthrop Group.