

Quorum

Too Big to Save

Much of my working life has been involved in international business in some form or another. I have been given the opportunity to observe a wide variety of cultures, political institutions, economic activity, and living environments. This experience has left me in awe of the human condition, its inventiveness and creativity. The structures and institutions we humans have created to support and organize our lives are vast and complex. I have observed the connection between what we do today in Beijing, Mumbai, or Singapore, and what happens in New York, Paris, London or Mexico City. I could argue that globalization has been with us since the late 12th century, but not with the degree of interconnectedness we have today. I find myself thinking more and more about this interconnectedness and how it impacts our daily lives.

Human endeavor has become deeply interwoven, globally. No longer do we live in a world of separate nations and economies, interacting with each other from the protected safety of our own shores or borders. Human ingenuity and creativity has bound us closer together blurring the historical boundaries between cultures, nations, and economies. This social fusion has accelerated in the last 20 years. What is more it has outrun many of the political, social, legal and economic institutions civil society has built over the last century. These institutions struggle with the pace of demands placed upon them. The depth of the interconnectedness and the relentless pressure it creates exposes the growing impotence of the institutions to deal with the new challenges they face. At the same time, we depend on this trusted human infrastructure to maintain and manage civil society.

There was once a time when one man, JP Morgan, acting as lender of last resort, saved the Government of the United States from financial failure. Since then, the financial history of the United States has been that large financial institutions in the United States were, and may still be, of a size that the resources of the government have been sufficient to support key large institutions. The People and the Government of the United States view certain critical financial institutions as “too big to fail”.

Global interconnectedness may pose a challenge to this ability. Most large financial institutions operate internationally and may fall under the jurisdiction of multiple central banks, regulatory agencies, accounting and legal rules and requirements. So if one or potentially multiple large multinational financial institutions were to stand at the brink of failure; a financial rescue may not be possible due to the size and deep interconnectedness of these large institutions. At this point they may be “too big to save”.

This is not just a financial issue. Consider for a moment the serious ecological problems confronting China. What happens if the pollution and water consumption were combined with a 100 year drought? It is said that a human being can survive between eight and fourteen days without drinking water. If a lack of clean drinking water caused China to suffer a 15% drop in population, it would have an immediate and significant

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effect on the rest of the world. Alternatively, pandemic is a real and pervasive risk in the world today. Many national and international medical institutions coordinate information and research to monitor pandemic risks. Yet, a pandemic might begin with an unobserved and unmonitored virus, the unknown unknown. If a virus jumped from somewhere in the world to Europe, or the United States, would the existing international institutions have both the authority and the will to act in time? Given the physical interconnectedness of our world today, could a viral outbreak create an event where the people and nations at risk are collectively “too big to save.”

Just to be clear, my comments are not about the size of our institutions. Rather, I think there are difficult question about who has the ultimate authority to act, in a global crisis, knowing that all actions will involve multinational triage. As we have recently seen, in a crisis, there is no time for diplomatic negotiations, difficult decisions need to be made and every decision will be criticized. The rapid pace of global interconnectedness has forever changed the context in which our current institutions and social structures exist.

I began this essay with financial institutions, because in some respect they are the clearest recent example of this interconnectedness. Further, the issues generated by the interconnectedness of international financial institutions are transparent and hence the least ambiguous to address. We might begin by recognizing that the current crisis has accelerated the need for a single set of global accounting standards. With respect to ecology or pandemic, I am neither knowledgeable enough nor wise enough to know how to address these complex issues. I read articles and essays written by others far better qualified to opine on what the solutions might be. What I have concluded is that despite subjects being extremely difficult; but the debate needs to begin.

At the beginning of the 21st century, I continue to believe that we as individuals, participants in an interconnected global community, have the strength and fortitude to build new, global structures and institutions, capable of acting, in the place of individual nations or groups of nations, in the face of global crisis. Each time my children remind me to recycle, my belief is reinforced. I also believe deeply in the inventiveness and creativity of human endeavor.

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