

# Farewell, age of excess!

As I'm writing this, the financial behemoths of Wall Street are crumbling. This will be old news by the time you read it and maybe by then all will be well. Or perhaps more dominos will fall.

Their vast trading and lending businesses rely on rapid and inexpensive access to cash. Now it will be harder for them to borrow money themselves, so the entire foundation is in jeopardy.

A litany of woes is having major repercussions here and internationally, mostly stemming in one way or another from the housing and sub-prime mortgage collapse and the very risky investment behaviour behind it.

All of these huge, greedy companies take mega-risks with the unwritten assurance that the Federal Reserve Banking System (ie the Fed - a hybrid of private enterprise with governmental oversight) and tacitly the US Government (ie the already overburdened American taxpayer) will bail them out if things ever get really dicey.

Lehman Brothers was not so lucky as it was deemed too small to worry about and thus faced bankruptcy.

Looks like Barclays Bank will bail them out. The Fed was not willing to step in, having done so recently to bail out two huge federally backed, but privately owned mortgaged companies and having arranged a private deal with Morgan/Chase to assist Bear Stearns last March.

Merrill Lynch is to be sold to Bank of America. AIG (American International Group), the world's largest insurer, needed to come

up with a mere 75 billion dollars within a few days. They couldn't do it and faced certain bankruptcy filing. AIG's market value a year ago was 178 billion dollars. On September 18 it was 10 billion. The Government felt a failure this big (unlike Lehman Brothers) would have catastrophic effects on global finances, as AIG operates in 130 countries.

## Risky dealings

Domestically, what this means is too many employee retirement plans and state pension funds were tied up within AIG's spider-webbed network of risky financial dealings.

So, John Q Taxpayer has to bail out the risk-takers - all of whose top management make millions of dollars a year - just so he would not lose his own hard-earned retirement savings.

Ironically, this could be a good investment if AIG sells off some assets and remains solvent.

The Fed is loaning the money to AIG at 11.5 per cent interest while borrowing it themselves at 3.4 per cent. Plus, the Fed has an option to take an 80 per cent equity position in the company.

Much of this Wall Street mess - or at least AIG's mess - is due to something known as credit default swaps, which trade against some 62 trillion dollars in debts. That's a lot of debt.

Don't you feel better now about your measly home mortgage and credit card debt?

My question is, how can the Government oversee the Fed, which is overseeing AIG, when few, if any, of our elected officials have ever heard of

derivatives or credit default swaps?

Do you think John McCain, who admits he can't use a computer or send email, knows of such things? I bet Barack Obama is studying these terms right now.

If I were a member of Vice-Presidential hopeful Governor Sarah Palin's Evangelical Church, I'd swear this was the beginning of Armageddon. It's coming!

Most of the Republican-leaning Heartland faithful hate Wall Street, New Yorkers, East Coast 'liberals', college educated elitists, etcetera, so they are probably thrilled with all this.

And they are right about one thing, the excessive greed allowed to run rampant over the past decade is coming back to haunt everyone. These excesses were fostered by the present Republican administration.

So you would think Americans are ready to 'throw the bums out' and clean house! But the election is very close. Americans don't vote with their brains (too difficult to engage) but with their hearts.

So candidates that wave the flag, re-live wars of a generation ago,

**The excessive greed allowed to run rampant over the past decade is coming back to haunt everyone.**



Good times will come for direct marketers as accountability catches on, says **DOUG SACKS**.

question evolution and hunt moose are enjoying a big surge in popularity.

Makes perfect sense to me.

A very popular and unifying President named Ronald Reagan once tried to sell us on something called trickle-down economics. The Republican party and every CEO in the world remains a proponent of this.

Simply stated, the idea is that if you make the people at the top obscenely rich and give them all kinds of tax breaks and incentives, eventually (think geologic time here) some of this vast wealth will trickle down into the pockets of poor saps like me. Most of us saps are still waiting.

## Affecting direct marketing

Another headline says HP was going to fire 24,600 employees. The heartless analysts who review and comment on such corporate manoeuvres state categorically that this is a good move, as too many of the employees were based in the US and receiving high salaries, whereas competitors were cutting costs by sending jobs overseas.

One Presidential candidate says we should be begin rewarding companies that actually *keep* US jobs in the US

A novel idea.

Sounds un-American to me!

What remains to be seen is how this recent spate of disasters will affect our direct marketing industry.

What horrors will trickle down? Less corporate expansion as loans get harder to acquire is a given. More belt-tightening and corporate consolidation is probable.

But there is good news.

The worsening economy is leading to fiscal conservatism all the way down to the household level. But if the age of excess is over, whether this involves gasoline usage, exploiting natural resources, plastic shopping bags or gross financial mismanagement, than I welcome it.

If everything becomes more accountable, than the one true form of accountable marketing - direct marketing - is bound to become more valuable.

If we can all just hang on long enough.

My recommendation is to grow your fingernails longer to help you hold on.

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