Ten Insignificant Highlights of 2008

This is a yearend report for the corner and tries to look back at this *annus horribilis* in a different light. Enough of the hand-wringing and knuckle-whitening exercises that we all engaged in when watching the stock market do its impression of a falling knife, usually aimed at a part of our body where the wallet is usually kept…too close to those vital organs.

Here are the ten insignificant highlights of 2008.

1) **The gap between rich and poor was globally narrowed.** The loss of fifty trillion dollars (that’s one thousand times a billion) in the market value of global stocks has hit the top .01% of the world’s population. The term “no place to hide” describes the predicament of 2008 investors, including those who previously subscribed to the theory of diversified holdings or a portfolio manager’s expertise better than the client’s. As for the poor and even the middle classes that have no discretionary savings looking for yields, they were left largely untouched enabling them to close the gap with the billionaires. As far as this meltdown goes, they had thankfully “nothing to lose”. Thus the distance between haves and have-nots is much closer to the tune of fifty trillion dollars. To paraphrase, F. Scott Fitzgerald’s conversation with Ernest Hemingway—the rich are different from you and me…they are not used to flying economy.

2) **Tee shirt sales went up.** This trend was first noted in several countries holding elections in 2008 like Canada, Australia, New Zealand, and the US (Change we can believe in). Tee shirts were also prominent in the rally-prone city of Bangkok where red and yellow shirts had little tête-à-têtes in the streets and airports. But the trend of buying tee shirts caught on for many others who needed to replace their outerwear because they…lost their shirts.

3) **Business programs enjoyed a bump in viewership and ratings.** The wealthy investors need to learn the business terms to explain their predicament to their peers. They needed to be on the same page. The business program provided the vocabulary and sometimes the meanings of such *au courant* terms like “naked shorts” which has nothing to do with a fashion statement. The talking heads enjoyed celebrity status even when they are routinely proven wrong on the next trading day. The abiding lesson of 2008 was simple—there are no experts. The talking heads provided the vocabulary, but this did not mean they made the right calls.
4) **Private banking became a high-risk occupation.** Just imagine telling a client who used to welcome your phone calls heralding yet a banner year for her portfolio. This time, you needed to inform her that not only had she lost all her investments with you but that she still owed your bank another million dollars. While it is not proper to shoot the messenger bearing bad news, it’s an option that was considered by those who faced the prospect of poverty (see number 1 above) and knew their private banker’s home address and where their kids went to school. Relationship managers left their jobs in droves, sometimes involuntarily. They did not give away their usual gold-edged desk diaries for Christmas.

5) **Performance of portfolios was measured in terms of loss minimization.** Losing only 20% of the client’s money was cause for celebration and entitled the portfolio manager to a nice Christmas gift from his grateful client. He regaled the relieved client with horror stories of other clients of other banks without giving out their names.

6) **Traffic was heavier in the last quarter.** The cars that were garaged when gasoline was over sixty pesos all came out due to cheaper gas. Thus, heavy traffic was a sign that car owners were again confident they could afford gas.

7) **Bragging stories had changed.** Small talk no longer centered on what the neighbor just bought and now parked in his hangar. Bragging rites centered on losses. This could be general; this is the biggest loss I’ve had in a single year. They could also be specific: I lost four hundred million dollars, and people are talking about it. Someone who hadn’t lost money in this meltdown clearly belonged to the working class, concerned about tuition fees and taxi fares not going down with the drop in gas prices.

8) **There were fewer political rallies.** Those who ordinarily rented mobs, including ferrying and feeding them were keeping their dwindling cash in their pockets. How could corruption be as lucrative if the corruptors had been hit by the meltdown? Even politics was not spared from the downturn.

9) **Optimism was at an all-time low.** Investors were dancing with bears. And to a man (or woman), they all declared that 2009 would even be worse. Prophets of doom were getting listened to more often and not automatically dismissed as crackpots. They might even have been burned by Lehman or Madoff.

10) **Pre-nuptial agreements were deemed passé.** In 2008, the very rich started to behave like the middle-class. Marriage was no longer
considered a business transaction intended to prevent the spouse from benefiting from the wealth of the family he or she was joining. With the reduction of net worth, marriage was once again seen as a social contract that would endure for better or for worse...till annulments do they part.

We predict that 2009 will not be a leap year.