



WMU President Diether Haenicke

Office of the President

10-8-2008

If these are our 'best people,' then Wall Street and America are in trouble

Diether Haenicke
Western Michigan University

Follow this and additional works at: <https://scholarworks.wmich.edu/haenicke>



Part of the Higher Education Commons

WMU ScholarWorks Citation

Haenicke, Diether, "If these are our 'best people,' then Wall Street and America are in trouble" (2008). *WMU President Diether Haenicke*. 54.

<https://scholarworks.wmich.edu/haenicke/54>

This Newspaper Article is brought to you for free and open access by the Office of the President at ScholarWorks at WMU. It has been accepted for inclusion in WMU President Diether Haenicke by an authorized administrator of ScholarWorks at WMU. For more information, please contact wmu-scholarworks@wmich.edu.





If these are our 'best people,' then Wall Street and America are in trouble

*By Diether Haenicke
October 08, 2008*

Every newspaper tells me that we are facing one of the worst financial crises since the Great Depression. Stocks, particularly those of banks, have tanked.

I don't dare look at my pension funds any more for fear that I might go into shock. My friends in business and economics offer varied opinions of what went wrong, of what could have been foreseen by prudent managers and what needs to be done now. The government is assembling huge amounts of money -- mine and yours -- to bail out banks, insurance companies and investment firms that are led by people who were described, just a few months ago, as the best and the brightest. They certainly were the highest paid.

In 2004, Dick Grasso, head of the New York Stock Exchange, was forced into retirement with a pay package of somewhere between \$140 million to \$180 million. A big scandal ensued. The state attorney general, a few years later himself removed from office for routinely consorting with expensive hookers, sued Grasso, but should have sued the board's compensation committee, which consisted, among others, of the chairman of AIG, and the current and former heads of Bear Stearns, Merrill Lynch, Lehman Brothers and Morgan Stanley.

According to the Wall Street Journal, the chairman of Lehman Brothers in 2003 made \$118 million in salary and stock options. The head of Bear Stearns earned \$33 million; his counterparts at Merrill Lynch \$65 million and at Morgan Stanley \$61 million. I am sure they thought that a severance package of \$140 million for Dick Grasso was not at all out of the ordinary. A \$60 million paycheck can make you completely forget what the real world looks like, I am sure.

Salary consultants and businessmen with whom I occasionally raised concerns about runaway salaries in all sectors constantly told me that the market determines these high salary levels, that one cannot resist the powers of the market, and that, in order to get "the best people" one simply has to pay these outrageous salaries. Today, looking at the miserable state in which our markets find themselves, I ask myself: are these really "the best people?" If they are, we really are in trouble.

Many of our once biggest and most powerful financial institutions lie in ruins. The biggest insurance company in the world, AIG, crumbled within a week. The once-mighty Fannie Mae and Freddie Mac, both with some of "the best people" at the helm, had to be salvaged by the government. Lehman Brothers, Merrill Lynch, Bear Stearns and Wachovia, yesterday giants among banks and investment firms, are folding. "The best people" who received fabulous salaries and bonuses to manage these firms, failed miserably and, through their failures, caused misery and disaster among their employees and the people who trusted them with their money.

There is much finger-pointing now and confusion as to where to put the blame. And there is enough blame to go around. In an election year, the temptation is always great to put the blame on the current administration, which did not regulate the markets tightly enough. Deregulation, so we are told, is the real culprit.

I tend to disagree. The real culprit is the enormous greed that has perniciously pervaded our entire society. In the 1987 movie "Wall Street," the protagonist Gordon Gekko pronounced his capitalistic credo: "Greed is right. Greed works. Greed is good."

What was meant at the time as a nightmarish warning, slowly became the operational maxim of the "best people." Greed, in medieval times one of the seven deadly sins, became a modern virtue. Nothing is enough any more; everyone wants to become rich quickly, no matter how and by what means.

Reckless and unscrupulous lenders and borrowers swamping the market with toxic mortgages; bankers poisoning their portfolios, blinded by short-term profits; and investment firms peddling worthless banking products to their investors have thoroughly shaken our trust in the integrity and moral solidity of the banking and insurance industries.

Now the government, and that is the taxpayer, must clean out the stench-filled stables of banking and investment left behind by "the best people." If this man-made disaster does not teach us a much-needed lesson on unbridled greed and its consequences, what will?

This column was published in the Kalamazoo Gazette mlive.com/kalamazoo