

The American Financiers, their Bonuses and your Repayments.

It is now a sad fact that we can all expect our bank and credit card charges, mortgages and the general cost of living to rise, as a result of the so-called 'sub prime' breakdown in America. We must reflect upon the injustice of activity in financial markets, in a faraway country, emigrating here through the City airport, and leaving us with less disposable income, some of us without jobs and some of us without homes.

The turmoil in the financial markets was due to the subtle manipulation of debt, its repackaging, and its onward sale by American banks to City banks who had been persuaded that there was no risk. In this case, however, they were all wrong. They gambled and lost. And we ordinary mortals suffer as a result, because the banks must recoup their losses. How can this be? No sense in asking. Just pay up, please.

What is interesting is that these super-beings of unaccountable intelligence and acumen, these constellatory shining centres of power, are actually a bit odd. At times, their behaviour seems like arrogance, and at other times unbelievably thick. Of course they are stupendously rich and don't really have to explain their actions to anybody. Maybe to their peers, but certainly not to us.

As the crisis over there worsened and banks began to review their accounts with pursed lips, the top honcho of Merrill Lynch was playing in golf tournaments, his equivalent at Bear Stearns was playing in bridge tournaments, while the big man at Citigroup (the world's biggest bank) remarked 'we're still dancing'. He later 'resigned' clutching a fistful of dollars and went off to sulk in his \$48 million dollar apartment. His principal adviser took his seat. This latter earned \$17 million in 2006 doing his advising, although there is no record of his having said 'Hey! This sub-prime stuff is junk!' Of course, \$17 million is peanuts when compared to the \$300 million taken home in 2006 by a hedge fund manager who had benefited from sub-prime activity, but we must not be too harsh.

And, perhaps this is not a good time to be nasty. It appears that the year-end bonuses of these superb beings will be affected by the crisis. Overall bonuses are expected to be the same as last year or even, can yuh believe it, down 15%. Those individual \$1 billion pay-days are not looking quite so certain as they did in 2005 and 2006.

It is indeed very trying for them, and hedge fund companies with warm hearts have employed the most comforting psychologists to help their managers deal with the depression, the anxiety and the distress. 'I have seen people very shaken, their confidence eroded', said one psychologist. 'My clients wake up in the night, their golf scores are all over the place, they sweat, and they have lost appetite'. One of his clients has allowed us to quote him: 'Once you were master of the universe, but the market makes you humble'.

If you have tears, prepare to shed them now, eh?

And there is a knock-on effect on the market for flash cars, flash yachts, modern art, fine

wines, and housing. An estate agent we know is aghast at the fact that he can't sell an estate on Long Island costing a mere \$42 million, nor a \$70 million penthouse on top of a hotel. 'Either would make a great seasonal present,' he observes, 'Last year, these guys would send their P.A. to look over the place and then they would buy it, sight unseen'.

Well, enough of this sad tale, Christmas is coming and we wish all readers and financiers a Merry one. If you feel a bit peeved when you see your next mortgage payment's gone up and the bank won't stretch your credit limit for the holiday season, just remember those guys over there are suffering too.

Late breaking news: Goldman Sachs has just announced £8.8 billion of bonuses. (Yes, that's £8.8 billion of bonuses in just one firm).

Next month: British Financiers, their Bonuses and your Repayments.