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Business

Highs and lows: 2000s brought good, bad and ugly business moves

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By Angela Carter, Register Staff

As the first decade of the 21st Century ends, a whopping 50 percent of Americans have a negative impression of the past 10 years, compared with 27 percent who hold a positive view.

In a survey released this month, the Pew Research Center for the People & the Press found results “in stark contrast to the public’s recollection of other decades in the past half-century.”

When asked to look back on the 1960s, 1970s, 1980s and 1990s, positive feelings outweighed negative in all cases, researchers said, adding that passage of time may affect the way respondents view historical periods.

The 9/11 terrorist attacks were seen as the most important event of the decade, with the election of Barack Obama, the first African-American president, a distant second.

Is there an app for that?

Developments viewed favorably over the decade were dominated by advances in technology and communications.

Michael E. McGrath, author of the book “Business Decisions!” and executive chairman of the Thomas Group, has compiled a list of the 10 best and 10 worst business decisions of the decade. Topping his selections in the ‘best’ category are the advent of the Apple iPhone, iPod, iTunes and the many Apps, followed by the launch of Facebook, the popular social networking Internet site, and then Disney’s acquisition of Pixar.

Initially, computer maker Apple was criticized for leaping into unproven markets, McGrath said. “Now they’re doing about \$12 billion a year on the iTunes and the iPhone,” he said. “It was really a bold move in a new direction.”

Clear majorities in the Pew survey saw cell phones, the Internet and e-mail as changes for the better, and most also viewed specific changes such as handheld Internet devices and online shopping as beneficial trends.

Handheld devices such as Blackberries and iPhones were seen as a good thing by 56 percent of participants while 25 percent said these inventions have been a change for the worse.

There was a greater division of opinion, however, over whether social networking Web sites or blogs have been changes for the better or changes for the worse.

“Technological productivity is the byproduct of this decade,” said wealth manager Paul Schatz, founder of Heritage Capital LLC in Woodbridge. “Financial products for the individual investor exploded. It gave institutional access to the

individual investor.”

Among the memorable moments locally, Matthew Nemerson, president and chief executive officer of the Connecticut Technology Council, are a “restaurant renaissance” and the opening of IKEA in New Haven; the growth of casinos into East Coast destinations; the rise and fall of property investments for research and development by Bayer and Pfizer; and the moves to go public by Genasense, Nuragen and Curagen, three biotechnology firms that were acquired by other or are in the process of being bought by other companies.

BOOMS and BUSTS

The decade was speckled with both bubbles of prosperity and high-profile, high-dollar cases of white collar crime that wiped out consumers, investors and workers by the billions.

And the worst of the worst? McGrath leads off with the AOL and Time Warner merger and then hits insurance behemoth AIG for expanding into the credit default swap business, which involves complicated transactions now tagged as contributors to the toppling of the nation’s financial system last fall.

“They undid the merger at the very end of the decade,” McGrath said of Internet service provider AOL and the media/entertainment conglomerate Time Warner. “At the time, they proclaimed there were a lot of benefits in merging the two companies. In the end, it turned out to be more fluff than substance.”

The combined value of the companies was estimated at \$360 billion at the time of the 2001 deal. That has plummeted to less than \$40 billion, he said. “They really destroyed shareholder value,” McGrath said.

Regarding AIG, it is currently believed the firm sold \$500 billion in credit default swaps. “That was far more than they could ever pay back. That classifies as a bad decision,” he said.

Donald Klepper-Smith, chief economist and director of research for DataCore Partners LLC in New Haven and chairman of Gov. M. Jodi Rell’s Council of Economic Advisors, said states such as Connecticut lost income and sales tax revenue in the wake of the Wall Street collapse, which eliminated jobs and quelled consumer spending.

McGrath reserved the No. 3 spot for the dealings of New York financier Bernard Madoff, who pleaded guilty this year to 11 counts of securities fraud and other felonies and was sentenced to 150 years in the slammer.

The exposure of Madoff’s crimes, and the multi-billion losses suffered by his victims, led state Rep. Patricia Dillon, D-New Haven, to sponsor legislation authorizing stiffer penalties in Connecticut against money managers and financial advisors who commit fraud and the establishment of a fund that could provide some level of restitution to their bilked clients.

Rounding out McGrath’s ‘worst’ list is the decision by accounting firm Arthur Andersen to shred tons of documents related to its client Enron, a former energy trading and utilities company.

Enron executives falsified financial statements and the gimmicks used to inflate revenue spun out of control, causing shareholders to lose nearly \$11 billion while employees watched their jobs and pensions disappear. The fallout led to one of the biggest bankruptcy filings in American history.

The breadth and depth of discontent with the current decade is reflected in the words people use to describe it, Pew researchers found.

“The single most common word or phrase used to characterize the past 10 years is downhill, and other bleak terms such

as 'poor,' 'decline,' 'chaotic,' 'disaster,' 'scary,' and 'depressing' are common. Other, more neutral, words like 'change,' 'fair' and 'interesting' also come up, and while the word 'good' is near the top of the list, there are few other positive words mentioned with any frequency," the study said.

Schatz said there were multiple bubbles and busts over the decade involving the so-called **dot.com** frenzy over Internet startup companies and technology stocks, housing prices, mortgage derivatives, over-leveraged investment banks and commodities. "My one word for the decade: bust," he said.

There was a recession after 9/11 and the current one began in December 2007. "Sadly, the memories of this decade investing-wise aren't good ones. You've gone 10 years and you've actually lost money because of inflation," Schatz said. "History in the market rhymes but it doesn't repeat. Events aren't exactly the same, but they're similar."

The Dow Jones industrial average reached its highest point of 14,198.10 on Oct. 11, 2007 and its lowest of 6,469.96 on March 6, 2009.

Better Days Ahead

Happy to put the 2000s behind them, most Americans are optimistic that the 2010s will be better, the Pew Center said. Nearly 60 percent say they think the next decade will be better than the last for the country as a whole, though 32 percent think things will be worse.

The Pew Research Center for the People & the Press is an independent opinion research group that studies attitudes toward the press, politics and public policy issues and is sponsored by The Pew Charitable Trusts.

Results for oyd survey were based on telephone interviews of 1,504 U.S. adults from Dec. 9-13.

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