

Fear and Greed is Alive and Well on Wall Street

They say there are two things we can always count on in life – death and taxes. Here are two more to the list – fear and greed.

There may be no better place than Wall Street to watch these two basic emotions play themselves out. Let us look at what has happened in just the past 11 years:

- Fear gripped the markets in the fall of 1998 when the East Asian and Russian financial crises led to a meltdown and federally orchestrated bailout of the über hedge fund Long-Term Capital Management.
- Greed overcame the stock market in the late 1990s and early 2000 as the tech bubble reached its zenith, and stocks that looked like “pigs with lipstick” were sporting market values in the billions.
- Fear paralyzed the markets and stocks plunged in the early 2000s as investors (speculators) realized many of their stock certificates weren’t worth the paper they were written on.
- Greed filled the sleepy residential real estate market in the early 2000s as burned stock market investors started flipping condos and fixer-uppers when prices artificially zoomed due to no money down loans, cheap credit, and lax underwriting standards.
- Fear seized the housing and credit markets in the past two years as the credit market bubble burst and liquidity evaporated.
- Fear spread throughout the world in 2008 and early 2009 as the worldwide financial system nearly collapsed.
- Greed reared its ugly head in mid-2009 as stock markets around the world rebounded from disastrous losses.

Can we prevent this fear-greed pendulum from getting too far out of whack in the future? Given human nature, probably not, but that doesn’t mean we should stop trying. Here are three suggestions:

- First, tune out the media that says you need to own the latest and greatest “thing” in order to feel successful. “Things” do not define success and you shouldn’t pursue speculative financial transactions in order to keep up with the Joneses.
- Second, take pride in living below your means and putting some money in savings every month. Take a close look at your budget and cut a few things

that you really don't need. By redirecting that money to your bank or investment account, you'll reduce the stress caused by living on the edge.

- And third, we all know intellectually that becoming a millionaire will not bring true happiness. However, many of us don't live as if we believe that. Over the next year, make a concerted effort to live a meaningful life filled with close relationships, good health, spiritual clarity, compassion, purpose and hope.

By living that kind of life, you'll be immune to the fear-greed pendulum and its attendant problems.

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