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VIA EMAIL and POST

RE: The Current Economic Crisis

To Our Clients:

It's just a few days before Christmas, and since the November 2008 election, we have been listening to many people over coffee, on their blogs, and on TV, about the economic crisis we are facing. We wanted to share some of those observations with you, as you get ready for 2009.

One of the more interesting topics of recent conversation is the idea that this economic crisis really has no model or pattern that is discernable from past downturns and crises. Here are some more compelling points:

1. As noted above, there is no model or pattern for what will happen in 2009-2010 - we simply don't know what to expect with any degree of probability.

2. The Great Depression and market crises since (e.g., 1987, 1997) do not have many, or really any lessons for us today because of the fundamental shifts in the inter-dependence of the world's financial systems in the past decade. Some real issues exist causing many concerns:

- The global financial system has grown so complex and interrelated that no one really understands it
- The speed and complexity of the technology that it sits on and that enables financial transactions is very fragile
- The technology itself has opened doors for fraud, abuse, and obfuscation of trading instruments (no one, even now, can fully explain most of the strange monetized instruments that caused a lot of this crisis)
- The overall complexity, technology, and interrelatedness happened far faster than anticipated
- The rules and policies any system needs was not created early enough for this new global system, and still does not exist
- Increasing use of more and more complex technology will always cause more problems than it solves (and remember, when new technology is available, it will be used)
- And most of those problems will not have been foreseen

3. Tools and responses that worked in the past (including massive spending, e.g. stimulus packages and bailouts) may not have the desired effects this time - they worked before, but they also helped to create the next bubble - this time they may not have good effects at all.

But, as in the past when this strategy has been used (the Keynesian approach for government to spend out of a recession/depression) they probably will help create the next bubble - *if proper consideration is not given and actions taken now.*

4. The thing to do now is to explore the possibilities of what 2009-2010 - 2015 could look like, and create new and innovative responses and tools, at both government and organization/company levels.

This would also include a new idea of what a financial system should look like, given the continued complexity and inter-dependence of the world systems, and the increasing complexity of the technology being used.

5. Typical "hunker-down" and "do nothing" hoping for "normalcy" to return responses and actions is a losing game, since no one can say what the next normal will look like!

The one thing we know for sure is 2009 and 2010 won't be like what was before!

6. And if you do play the "hunker down and wait" game, you'll be passed like a bullet by competitors that:

- Go through the process of considering plausible futures
- Have the multiple strategies and actions ready, so that
- Once the tide begins to turn and the new shifts occur and
- New heretofore unseen opportunities begin to emerge,
- They are ready to move, and move fast

These are the key messages we are talking to our clients about. And we are suggesting that you take a serious step to get ready.

We believe that the best way to think about what's next is not to look back and try to predict a future based on happened before. We think you should step out into the future, consider the plausible driving forces that will affect you, and create a series of narratives around scenarios of plausible futures.

Scenario planning will give you a good idea of what will happen and how to know which track you are on – from there you can create the strategies and aligned actions you need.

And, you'll be able to set the early warning signals in place, so you can adjust "on the fly". In the future, things are going to change and re-set much faster than they have in the past, and you have to be able to see the changes, threats, and opportunities even faster.

But don't simply extrapolate from today or history – this time it is truly different, with no real lessons to apply – we are in re-set mode now. Those that think they can be successful planning the way they always have are ripe for failure.

Remember: *"You can't get there from here, but you can get here from there!"*



L. Richard Marrs