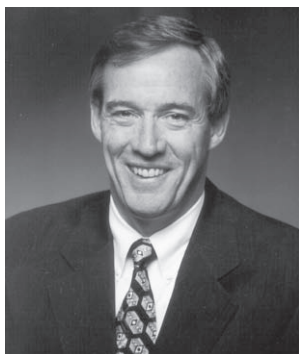


**Philip J. Purcell:
Merger Mania in Financial Services**

Philip J. Purcell, Chairman and CEO of Morgan Stanley Dean Witter, addressed The Economic Club of Chicago on February 26, 1998, on the significance of mergers in financial services.



“I’m sure you noticed the recent wave of mergers in financial services. A year ago, my company was formed in what was called a ‘blockbuster’ deal. Several months later, there was another ‘blockbuster’—Smith Barney and Salomon Brothers.

Then, two months ago, two giant Swiss banks, UBS-SBC, announced a merger almost three times the size of those American blockbusters. The merger pace has also been fast and furious in other industries like telecommunications, technology and pharmaceuticals. Global M&A volume last year was \$1.6 trillion. But nearly one fourth of that—or \$400 billion—was in financial services alone.

“And the deals are going to get even bigger and the pace even faster. I’m tempted to say what we have seen so far is only the tip of the iceberg, but one rule in financial services speeches is: no Titanic jokes. So, to paraphrase a line from another recent movie, Dustin Hoffman in ‘Wag the Dog’: ‘Even with everything we’ve seen so far, this is nothing.’ A much bigger, more dramatic wave of mergers is about to begin. It will be driven by continued market deregulation, allowing freer competition for clients, by the elimination of inefficient over capacity, and by the demand of savers and investors throughout the world for American-style returns. Consolidation will move from commercial banking, investment banking and asset management for institutions and will soon include retail financial services.

“As a result, companies like mine will have to

compete and differentiate themselves through global brand names, much like Coke and Pepsi now compete. Just last week, my company announced that as part of our global branding strategy we were changing our name to Morgan Stanley Dean Witter. My youngest son had suggested something much shorter and snappier, like NIKE, but that name was already taken. The problem with our old name was that it was so long you couldn’t even fit it on a single line in the Wall Street Journal.

“We were kind of like the western rancher I once met who bought ten ranches and put them together to form one giant spread. I asked him the name of his mega-ranch and he said, ‘It’s called the Triangle X, Circle Q, Lazy W, Sleepy’s, Double Bar, Broken Circle, Winding Creek, Golden Horseshoe, Bent Arrow Triple T Ranch.’

“I said, ‘Boy, you must have a lot of cattle.’

“And he said, ‘Not really. Not many of ‘em survive the branding.’

“Doing anything globally is not easy. Don Keough, who was president of Coca-Cola, knew how to compete globally, and he knew there was more to branding than an expensive advertising campaign. I remember his speech to this club. I sat out at table 80 and heard Don say, ‘We’ve taught the world to sing. But what we really want to do is teach it to drink more Coke.’

“The financial services industry has paid less attention to branding than our consumer peers. But I believe that’s changing as we enter this period of rapid consolidation and intense competition...

“Worldwide deregulation means that there is now only one strategic question facing each large financial services firm—to be global, or not. You don’t have to be global. You can be successful with a regional or single country strategy, or a single product niche strategy, but if you decide to be global, that strategy requires total commitment. And to be successful on a global scale, every secu-

rities company, bank and insurance firm must decide now. Many more firms will commit to a global strategy than will be successful. But any who do not commit now, and commit fully, will surely fail. You cannot be just partly global...

“...Consolidation is being driven by clients. Institutional and corporate customers want investment banks, commercial banks and asset managers who can service all of their needs on a worldwide basis. They want research, product and liquidity across all geographic markets and all products. And they are focusing their resources on fewer firms who add the most value. At the retail level, customers have become more sophisticated and are demanding a global product backed by more technology.

“Even domestic clients who want to raise capital insist on access to all global markets to ensure the lowest funding costs and the deepest pools of equity capital. This means that European and Asian companies want to be served by firms with access to U.S. equity markets because that is where over half of all the global equity money comes from. And if you are a commercial bank or investment bank providing global services, your economics dictate that you want to be in the top three or four, rather than number 10, when it comes to the amount of overall business you provide for each client. In other words, clients are becoming dependent on fewer global providers. Financial services firms are therefore looking for a greater share of each client’s business and this is driving consolidation...

“...The U.S. equity market is bigger than the rest of the world’s combined. In fact, the market cap of one New York Stock Exchange Company, General Electric, is bigger than the equity markets of Thailand, Korea, Malaysia, the Philippines and Indonesia combined. The sheer size of the U.S. capital markets should give American firms a big advantage in the next stage of global expansion. We’re already here. We also have the experience of competing in the fairest, most efficient, most deregulated financial market in the world. As the

other markets try to catch up, a number of U.S. based firms, including my own, Citibank, Merrill, Goldman Sachs, have already been able to build a global presence. That that’s largely because we have been able to export experience gained in the world’s most competitive market.”

**Ted Turner:
On Himself and the World**

Ted Turner, founder of CNN, world-class sailor and, as always, unpredictable, addressed The Economic Club of Chicago on April 16, 1998. His cable news business had been sold to Time-Warner, where he was vice chairman. He had just announced a \$1 billion contribution to the U.N.



“I want to go back and talk about how I got to where I am, and why I have some concerns about the future of the human species and the planet...

“When I was a young man I concentrated on my business and my family and my yacht-racing career. Because I didn’t worry too much about the nation or the world because I didn’t feel like I had much opportunity, to make a difference or make an impact. That was, it was out of my area of responsibility. Also, I was very young. And when you’re very young, you know, you’re usually thinking about, you’re not thinking about global issues as much as you are more local issues, you know. Like, God, that’s a good-looking woman—you know, that kind of thing.

“Where am I gonna make a dollar or a peso you know? Because I wanted to be rich. I did want to be rich because my father, who passed away when I was 23, wanted me to be rich; he thought that rich was better than poor, and you know I had to admit, remembering those experiences I had, hitchhiking,