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Welcome to the Depression (Time to Realize Our Economic Plight)



By George Mullen

Common sense would suggest that we have years, if not decades, of pain and malaise ahead of us in order to recover from the massive destruction of capital we have experienced. Remember the Great Depression, it lasted over a decade and only ended because of the manufacturing boom spurred by World War II.

If the free markets were left to their own devices, the current recovery process would be infinitely quicker and less painful. Unfortunately, Ronald Reagan's famous words are ringing truer than ever today: "The nine most dangerous words in the English language are "I'm from the government, and I'm here to help."

Bernanke, Paulson, Geitner and Congress have arrived on the scene pouring nearly a trillion dollars of borrowed taxpayer money down the drain in order to prop up zombie banks and brokerage houses. What do they have to show for it? "Nada" as they say in Mexico.

Astonishingly, instead of drawing the correct conclusion that the bailout has been an abject failure, they conclude that the real problem was in letting Lehman Brothers fail in the first place. And so their feel-good money burn continues under the innocuous sounding names of the Troubled Asset Relief Program and a "stimulus" bill.

The United States has been the world's economic engine for over a century precisely because it refrained from buying into the European “too big to fail” penchant that leads to corporate nationalization and subpar performance. The government should have stuck to this principle and let the free market do its work. The walking dead corporations would have failed as they deserved to, and their competition would have picked up the pieces and prospered from it. This is the natural and healthy cleansing process that defines capitalism – the foolish and weak perish, the prudent and strong prosper.

If money was to be given to anyone, it should have been given as loans to the healthy institutions that did it right so they would have the funds necessary to purchase the desirable assets and employees of the failed businesses. The money certainly should not have gone to those who made foolish and greedy decisions, but that's what happened. The result is a slew of zombie corporations – Citigroup, AIG, Fannie Mae, Freddie Mac, Bank of America, Merrill Lynch, Morgan Stanley, General Motors, Chrysler, etc. – effectively wards of the state on life support.

Why are we trusting these government officials to make the right decisions when they were the ones who fostered the “bubble economy” in the first place via artificially low interest rates? And since, they have been wrong nearly every step of the way – ignoring the blatant warning signs of the impending crisis, continuously denying the magnitude of the crisis, and even refusing to admit we were in a recession until just a few months ago.

Their unending denials of the obvious bordered upon the truly obscene, and now these folks deny we are in a depression. Their attitude is surrealistically reminiscent of actor Jack Nicholson in “A Few Good Men” screaming, “You can't handle the truth!”

Yes, we can handle the truth. We are in a depression, so let's get over it and get to work. Whether it is a “little depression,” another “Great Depression” or “The Greatest Depression,” only time will tell. Now is the time for each of us to take personal responsibility for our financial mistakes and work to protect ourselves. Some suggestions:

Be a realist. Optimism (without sound reasoning) is the refuge of fools. Objectively assess your situation and take action to right your ship. Don't count on the markets or the government to save you. They won't.

Secure a job. Are you vulnerable to losing your job? If so, look for a new job now. Be proactive, the competition will only increase as you delay.

Take a second job. If you are a real estate agent, or have another like job that has been annihilated, consider taking a second job until better times return. Your responsibility is to provide food and shelter for your family; there is no dishonor in flipping burgers or selling shoes in doing so. In fact, it should be a badge of honor.

Is your spouse working? If not, seriously consider it. With two of you working you would be less vulnerable if one gets laid off.

Reduce debt. Debt is the ultimate destroyer, reduce it now and eliminate credit card debt completely. If this means selling your home, do it. And if you list your home, get ahead of the market so it will sell. What does this mean? If all the comps are pricing at \$540,000, price yours

at \$498,000. Those who price with the competition won't get a sale and will watch as their home price deteriorates along with all the others.

Reduce spending and save. End your love affair with all this materialistic rubbish coming out of China, and begin saving at least 10 percent of your income. No "thing" ever produced real happiness.

Look for opportunities. Great opportunities are present in difficult times, but most are blinded to their existence. Keep your eyes open, and if you identify a great opportunity, seize it with all your might.

By all measures, we have experienced a catastrophic economic train wreck. Is the wreckage contained, or rather, could there be a runaway freight train heading our way? Don't wait to find out, get your family off the tracks and move to higher ground now. By all means hope for the best, but prepare for the worst. Good luck and Godspeed.

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