

Economy causes five grief stages

By Colin Read, Everybody's Business

December 08, 2008 07:51 am

— I am sensing a turning point. It is not from the turnaround one expects when we reach bottom. It is more of an inflection point, knowing we will experience more pain. We are now accepting the dismal economy and are preparing to get to work to fix it.

We all are familiar with Elizabeth Kübler-Ross's five stages of grief. In facing a traumatic event, we pass through denial, anger, and bargaining, followed by depression and acceptance. It appears that we are well into the grief cycle as we respond to this global financial meltdown.

The seeds of greed and mismanagement were planted perhaps a decade ago. Unfortunately, our grief cycle remained in denial for far too long. Visionaries like Professor Edward Gramlich, former member of the Federal Reserve Board of Governors, warned us of the dangers of the sub prime mortgage market and artificially low interest rates. And many economists realized the danger when profits and risk become disconnected.

We as a nation remained in denial, though. We did not want the party to stop, and our politicians gave us what we wanted.

We still see some remnants of denial, even though many have moved past it. Some still believe that they need not share in the pain that the least fortunate are facing. When faced with massive layoffs, some still refuse to reform the practices that sewed the seeds of their own uncompetitiveness. And when the State of New York is facing a budget crisis, and higher interest payments on debt if our state bond rating drops, some still propose the solution is higher property and income taxes.

Most, though, have become angry in our realization of the inevitability of Wall Street folly. I became frustrated a year ago at the lack of any meaningful intervention into the growing credit crisis. Our presidential candidates from both parties were angered by the status quo economics that would allow all this to happen.

We are all angry at the arrogance of Wall Street, the corporate executives flying around in private jets to seek taxpayer bailouts, and the gridlock politics that seems to ensure nothing meaningful can happen soon enough. And we are angry that the economic futures of retirees or those near retirement have been significantly diminished, while the dreams of the rest of us have been significantly delayed.

As our anger is replaced with bargaining, we preserve our hope that there can be some quick and relatively painless fix that will make this all go away. We have gone from bailing out investment banks, to lending to all sorts of banks, to buying up stock in some banks, bailing out automobile companies, and offering tax rebates. None of these actions has worked as a quick fix, even though they have collectively cost us perhaps a trillion dollars by now.

We have been thrust into an international funk, depressed by high gas and heating-fuel costs, the first quarter

of dramatically diminished mutual-fund statements, and, increasingly, layoffs just in time for the holidays. We respond to the depression by canceling our vacations, delaying purchase of a new car and delaying purchasing a new home, and even refusing to open our mutual-fund statements.

These classic symptoms of depression fuel even greater declines in the stock market and the economy. Our depression unfortunately and inevitably makes it difficult to remain optimistic. We try to catch glimmers of hope from our economic leaders. We are skeptical, though, at least until we see some turnaround in the economy.

There can be no comforting words until we sense those making speeches actually have the answers. We desperately want to be soothed, but the soothsayers have been notoriously absent for too long.

I think we may be nearing the end of our fourth stage of grief. We are still depressed, and our spending will remain depressed for some time to come. However, in the depths of depression, it is difficult to find any hope.

Now we are beginning to see some hope, in the fantastic economic team our new economic commander in chief has assembled and in the realization that things could be worse.

This is a good sign. It indicates to me that we are on the verge of acceptance. In this final stage, the real work will be done.

We must obviously reform markets so that a few hundred greedy hedge-fund managers and investment bankers cannot earn tens of millions while costing the rest of us tens of trillions. We must learn to understand the economy enough to demand more responsible policy making. We are learning to distrust ideology and chart a more pragmatic future. We are recognizing we are now part of a global economy, and we must acknowledge our mutual inter-dependencies. And we must recognize it is our hard work that is the foundation of the new global economy, not the antics of the "too clever by one half" crowd.

I am grateful that we are recognizing and moving through the five stages of grief.

The grief is designed to allow us time to reflect and, from the reflection, to learn. The learning will come in the form of an insistence that we do not repeat this terrible economic history. But without the trauma we are now experiencing, we would not have the fortitude to resist the special interests or the insistence that there must be meaningful reforms.

From confidence shaken will come a realization that it is just as dangerous to rely on self serving free-marketeers as it is the words of snake-oil salesmen. We must become more responsible for our own economic future, and we must play a more active role in understanding the workings of the economy. Finally, as we now find ourselves officially a year into this recession, we must accept that this economic funk may persist for longer than most.

Copyright © 1999-2008 cnhi, inc.