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Getting back to basics provides best hope of saving economy

By COLIN READ, Everybody's Business

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— It is exasperating. Why is it that the economy seems to remain like a deer in the headlights while things continue to get worse?

The example easiest to see is the failure of the Troubled Assets Relief Program (TARP) to unfreeze the credit markets. We, and Congress, naively believed that we needed to ensure lending was propped up. It is clear that this problem is more stubborn than first imagined. Part of the reason is that people now are afraid to borrow. And part of the reason is that bankers are people too — and are afraid to lend.

If the problem is much worse than we could have imagined, we now see TARP doing another thing. Treasury Secretary Paulson is desperately trying to ensure that more banks don't go under. That is now his primary goal. He realizes that we can't fix credit markets if we don't have banks. So he must necessarily prop up banks, even if they have no intention to lend. In defense of his strategy to shore up banks, he claims "if you don't bet, you cannot win the jackpot." Let us remember, though, that you can also bet the farm and still lose.

Secretary Paulson was a hero — for a while. He cajoled a reluctant Congress into coming up with a plan — any plan. And he was a hero born in a vacuum, filling a void in economic leadership that had been developing for more than a year. He came at a time when we were desperate for leadership, and we probably pinned too many hopes on one individual.

It is our willingness to accept a plan — any plan — that is scariest of all. It is scary because we are well beyond the point where a quick fix will solve the problems with our economy.

As Secretary Paulson jumps from silver bullet to silver bullet, from the purchase of toxic assets to the capitalization of banks unwilling to lend, from a bailout of consumer credit markets to a modification of mortgages, each plan-du-jour causes us to doubt whether a plan really exists at all. This week's megaplan is a new $800 billion funding of credit and mortgage markets. The numbers are now approaching $2 trillion. Let's see what next week might hold.

The financial problem is not universal. Not all housing markets are equally distressed. And while mega-banks like Citigroup may be on the ropes and considering mergers or sales, smaller regional banks in the North Country remain strong. Like their mega-bank counterparts in Canada, these banks do not engage in shenanigans and do maintain a careful and conservative banking strategy.

This down-to-earth strategy reflects the solid value that wealth is created by hard work, a value common here in the North Country and in Canada. Our two regions do not suffer from the excesses and the too-clever-by-one-half mentality that devotes energy to taking another's piece of the pie rather than baking a new pie.

While these Wall Street wizards were the modern alchemists that got us into this mess, it will be the good old Main Street value of hard work that shall get us out.

Let us try to understand why it may now be futile to simply fix leak after leak in the economic ship.

Let's assume we could shore up all the banks. And we can get corporate and consumer credit flowing again. And we can keep people in their homes. And we can throw the automakers a lifeline. It would be magical to think we can fairly succeed in one of these. Let us assume for a moment, though, that we can do all these things and soon.

Even so, it will not be enough.

If we did these things, are you prepared to buy a new car or a new home? Will tuition and taxes not rise? Will companies stop laying off workers, and will the stock market attain a reasonable level? I am afraid they will not.

The missing ingredient now is consumer and corporate confidence. When we reach a persistent and troublesome disequilibrium that comes about only once in a century, only a shift in psychology can fix a sick economy.

If the wizards of Wall Street have failed us, we must collectively realize we need to rely on our own devices. We must pull ourselves up by our bootstraps and we must return to basics. We are finally seeing our first glimpses of such a grassroots rebuilding, and that is most reassuring. The president-elect has assembled an economic team that recognizes this severe recession will be longer and deeper than anyone thought. They are now talking about long and deep infrastructure improvements, as I have called for in these columns many times over.

Perhaps, too, it will be regions like the North Country and our regional banks that will be our economic salvation. And it will be relationships, within our communities, and between larger communities like New York State and Quebec, that will give us confidence to buy (and sell) again. We must get back to the basics of production and trade that built our region in the first place. And we must shake off the excesses and the politics that have so captivated and paralyzed the nation.

This is a lesson sorely learned during the Great Depression, but so sorely forgotten since. We see it in the retort of automakers that now come with hat in hand. They were just selling us the car and SUV we wanted. We must return to the realization that we can't always get what we want. But if we try sometimes, we just might find we get what we need. Thank you, Mick Jagger.

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