

Make the most of difficult times

Colin Read: Everybody's Business

March 08, 2009 03:24 am

— While times are tough, now is a perfect opportunity to reevaluate our economic choices. We can each succeed in the face of adversity. There are many ways to invest in our own economic future.

Failing markets have diverted a lot of capital to the sidelines. This diversion has depressed markets still further and reduced financial asset value. As a matter of fact, we just experienced the largest six month drop in the Dow Jones Industrial Average since 1932. People are in no mood to reinvest.

Some households reduce spending as a hedge against job loss and a cushion in these uncertain times. The reduced demand depresses the price of cars, big-ticket items and other consumer durables. Even energy prices have fallen on reduced demand.

And home buyers are delaying purchases because they see home prices falling, preferring to wait until the market has bottomed out.

Our unwillingness to spend because we think prices will drop further is the primary reason why we are experiencing price deflation right now.

While deflation makes some spending risky, it does not mean there are no economic opportunities. If we are clever, we can still profit when markets look bleak.

I am not going to offer stock-market advice. Economics assumes rationality, and markets these days are anything but rational.

I cannot recommend real estate yet either, at least until people begin to buy again. Most agree that there is some shaking out in the housing market yet, and there is little mortgage liquidity for borrowers.

What I can do is urge you to explore those areas in your economic life that, with a little investment, can yield dividends in the future.

First, invest in yourself. The job market is becoming increasingly competitive as some delay retirement and others find themselves without jobs. We must not be complacent that the downturn could not come to roost in our household, too. Instead, we should look to ways we can do a better job at work, how we can be more indispensable, and how we can help our employer be more competitive.

You can also invest in yourself by furthering your education or work skills. Employers seek productivity improvements, and will be making cuts in those areas deemed less productive. A significant part of your productivity is under your control.

Those working in the public sector should be particularly aware of a new dynamic. When taxpayers are

stretched and stressed and feel overtaxed, they want to be doubly sure those hard-earned dollars taxed away from them are spent wisely. In these times, government employees are scrutinized, and we should redouble our efforts to give taxpayers value. It is incumbent on our civil servants to demonstrate to stressed taxpayers that their tax dollars are well spent, especially in these times.

Second, you can discover good financial investments, even in this declining market. If you have debt with a high interest rate, refinance or pay it off. Use savings that earn a low interest rate to pay off high interest rate debt. This is especially true if the interest you pay on your debt is not tax deductible, while the interest you earn on savings is taxable. Paying off a loan with a 7% interest rate is equivalent to earning a 10% return on investments because such a return will be taxed. Any investor would love to receive a risk-free, 10 percent return these days.

Third, a penny saved is more than a penny earned. To earn an extra dollar these days nets you perhaps just sixty cents, after income taxes. But when you save by shopping carefully and only for what you need, every penny of each dollar saved goes in your bank account. You save on both income tax and sales tax. And you don't have to buy less to spend less. You can simply buy smarter.

Fourth, look for ways to invest in greater insulation for your home, greater fuel efficiency for your car, and perhaps even some energy self sufficiency. Invest in improvements today that will save you money tomorrow.

Fifth, when everybody else is scaling back, you can be scaling forward. I firmly believe there is opportunity in crisis. Simply because the competitive pie is shrinking does not mean the clever cannot garner a greater share of a smaller pie. This is an opportunity to become lean, imaginative and competitive while others are fretting and retrenching. When the going gets tough, the smart get going.

Finally, try to understand the economy. There is a lot of information coming at you from all sides these days. This information does not translate into knowledge until you can absorb it and incorporate it to your benefit.

Be particularly wary of information sources that make their livelihood by appealing to your fears. This is no time to be sensational. Nor is it a time to be Pollyanna, either. Instead, this is a time to understand, a time to be real and honest, and a time to garner a sense of what you can do, rather than a sense of helplessness.

I actually find these times to be both painful and interesting. We are experiencing a once-in-a-lifetime economic phenomenon right now, and some of the smartest people in the world are digesting and documenting it. I am confident we will come out of this with a much greater sense of how to avoid a similar crisis in the future. Of course, in these times, we know some have a lot to lose and little time to recover. On the other hand, young people can learn a valuable lesson here at relatively low cost.

All of us are in this together, more or less. There is something each of us can do to help our own lot. Don't just hunker down and crawl into an economic shell. Do what you can do to mitigate the damage and sow the seeds for future productivity.

These are the values of creativity, imagination and resilience that characterize the North Country and this country. I have no doubt we will succeed. We always have.

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