

North Country keeps steady course

By COLIN READ, Everybody's Business

April 26, 2009 03:24 am

— The economy is only human.

I wrote a while back that we all had to go through five stages of economic grief. We are now solidly in the final stage of acceptance. And that is a very good thing.

We went through our anger and denial, our bargaining and depression, and we are now coping. People are even beginning to open up their mutual fund and IRA statements again.

That is not to say we are completely rational quite yet. The market still gyrates in three percent swings, one day showing exuberance, and the next day showing a deep funk. It has not yet shaken its bipolar tendencies. However, it is also not plunging on bad news, falling on no news, and staying level on good news. That is progress.

The North Country is also holding its own. This is even before the federal stimulus package has had an opportunity to kick in, and before any of Albany's spending has flowed to the North Country. To show such stability throughout this downturn attests to North Country resilience.

Unfortunately, the entire nation appears to be painted with other broad brush strokes. Certainly, other economies are not doing as well as we have managed here. Other unemployment rates are higher, other real-estate markets are distressed, and other areas are experiencing a high rate of bankruptcies and foreclosures. But not here.

For instance, I read on Wednesday that "Regional banks suffer in Fed test." This stress test is designed to ferret out banks with weak balance sheets and vulnerable loan portfolios.

While the headline is sensational, it does not at all reflect the strength of our local economy or our local banks. Sure, our economy has experienced some layoffs and displacements. And our housing market is not as strong as it was a few years ago. However, our economy does not show the same signs of distress that are creating vulnerabilities elsewhere.

Part of this is because of the moderating influence from our neighbors to the north. The Canadian economy is reported by the International Monetary Fund to be one of the most robust in the world. Their strength is thanks to a steadiness of economic values in Canada.

Nova Bus is just one more recent example of the relationship we share with Quebec and Canada. Unfortunately, the U.S. dollar is very strong right now, as fearful investors flee to the safety of U.S. government securities. Their demand for U.S. debt creates a global demand for the U.S. dollar with which to purchase the securities, and has artificially revalued the U.S. dollar perhaps more than is justified. When the U.S. dollar realigns in a couple of years, we should expect to again see the flurry of Canadian activity in this

area.

This steadiness and prudence is a characteristic shared in abundance in the North Country. Of course, it is not shared by our Big Apple, which exhibited the excessive exuberance that got us into this mess in the first place.

Fortunately, our institutions, from hospitals to universities, banks to agencies, have successfully adapted to the challenges in true North Country spirit.

My analysis indicates that health care will remain very strong over the next couple of decades. Our realization that we will have to reinvent ourselves and our global competitiveness also bodes well for education.

Banks, too, are an important element of this equation. Much of the suffering seen elsewhere is, at least partially, explained by the weak balance sheets of national and some regional banks. Credit is the oil that keeps the economic machine turning. We should be thankful that credit continues to flow nicely in the North Country.

Certainly, the pullback by larger national and international banks hurts everywhere. However, the banks with a strong and dedicated local presence, and the banks that originate in Canada, have maintained a strong presence in our region and continue to thrive. Indeed, it is these financial institutions that have redoubled their efforts here in the wake of the removal of some credit from larger, stressed banks.

I remember a slogan from a commercial that used to run in the Pacific Northwest. Their regional bank claimed it was "a member of the FDIC and the human race." I am most grateful that our local institutions have remained human throughout this ordeal. Perhaps they too have experienced the five stages of grief as they cope with the economic shocks. Throughout, they have remained steadfast and steady, though, and have not exhibited the manic gyrations we see from the financial institutions and markets on Wall Street.

This region is very human, in the most positive of ways. The sense of helping one another out is still strong here. Most everybody wants most everybody else to succeed. We recognize shared success and know that when one succeeds, we all succeed. There is not much room for jealousies here.

Our region also looks to the future with some optimism but without rose-colored glasses. In many ways, the North Country personifies those human qualities that are most endearing, and is not saddled with those qualities that lead to great excesses and great traumas. We accept bad news in stride, and we do not show great hubris when confronted with great news.

We even believe a little bad news once in a while helps to keep us on an even keel.

Connecticut is the home of many suffering hedge funds that helped get us into this mess in the first place. And many Wall Street types actually live in Connecticut. As pleasant as it is there, perhaps we in the North Country have earned the right to usurp their state motto. It is the North Country that is the true Land of Steady Habits. And that makes all the difference.

Colin Read runs Economic Insights, a local economics consulting firm, and has taught economics and finance for 25 years. He values your feedback and ideas, and can be reached at economicinsights@gmail.com.

Copyright © 1999-2008 cnhi, inc.