

## Ten New Year's resolutions for the economy

By COLIN READ, Everybody's Business

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— I bet none of us ever ponder the state of the economy when we formulate our New Year's resolutions.

I'm an economist though — I can't help it! So, here goes.

Resolution #1: Support our leaders in these difficult times. There are things we have done individually to try to mitigate the effects of the current deep recession. However, while we can individually respond to these forces, we cannot individually remedy them. Only our economic commanders in chief can exercise the leadership to reform our economy. We must support those that offer strong leadership and can show us a path to success. If we cannot do this, we must find ourselves some new leaders.

Resolution #2: Expect our leaders to put aside politics and ideology. One party is renowned for cutting costs and another for expanding spending. Looking back over the last few decades, it is hard to see which is which, though. Perhaps we should take the best of both parties and discard the rest.

Resolution #3: Seek pragmatic solutions to perplexing problems. These are complex times, requiring equally complex solutions. We have a real opportunity to make government and the economy work better. It would be great to see partisans come together to put the taxpayer first by providing the programs and services we need and to sow the seeds of future prosperity with lower cost and more efficiency.

Resolution #4: Buy local. I would not normally advocate such provincial economics, except to the extent that buying local means using fewer resources to transport goods. However, if we are to recover the jobs lost at an ever-increasing rate, we must ensure the stimuli we develop keep money circulating in the local economy. Without this, our recession will be prolonged. The whole world is watching us. We don't want to fall back into the Smoot Hawley Tariff days of protectionism. But we do want to be sure we encourage our local businesses that spend in our community.

Resolution #5: Invest in our collective future. It is understandable that we all economize on consumption in these scary times. That does not mean we must dramatically reduce spending, though. Instead, we can spend smarter — in ways that provide for and invest in our future. Education, infrastructure investment, energy conservation, home improvement and other forms of spending make us more efficient and productive. These forms of spending also remain local longer than more notional consumption.

Resolution #6: Don't hoard our cash. This may be the hardest resolution of all. Of course, our natural inclination in times that threaten our economic security is to save and squirrel away. However, if everybody does that, the economy comes to a grinding halt. Against our best intuition, we should instead shift our spending toward smarter forms that will provide us lasting benefits without hampering our domestic economy. When we do not do this, government is inevitably the only entity left standing that can do this for us. I know, I know — it is normally difficult to imagine an economy driven by government spending. But these are not normal times.

Resolution #7: Vision about the future. We have to have a common vision of where we are going. Times of adversity, especially, require that of us. Actually, we should develop and share such a common vision always. In times of affluence, though, we forget the importance of having a plan. We only become painfully aware we've been winging it when we find ourselves in times like these.

Resolution #8: Develop sustainable policies, even if they might hurt today. One can believe global warming exists, or not. And one can believe technology will fix all problems, or not. It seems impossible, though, to imagine that there can be enough raw resources to go around in the future if we are already beginning to see the limits to our stock of resources today. We have yet to even see complete convergence between the First Economic World and the Second Economic World. When we do, we will discover that a world more than four times the size it is today will be consuming like there is no tomorrow. We will have to develop sustainable practices, use resources in a more sustainable way and contemplate our decisions not just on today but on the next generation and the one after that.

Resolution #9: Be willing to do our part. The economic failure we are currently experiencing occurred because the opaque actions of a very few affected us all. Obviously, they pursued their greed at our expense. We must realize that, at times like these, the non-cooperative actions of some must give way to the coordination of us all. If we all work together, we can pull the economy up by its bootstraps. If we instead pursue our own self interest and refuse to participate in the pain, we will again divide the economy up into two groups — those that are part of the solution and those that are part of the problem. I'm not sure if such divisions are any better than an economy too fragile because it divided us up into the haves and the have nots.

Resolution #10: Give an economist a hug! It is important for economists to also include emotion into our models. While we may be more comfortable explaining the workings of the economy with models of rationality, we must recognize that at times the economy operates on sheer emotion. Our models must become more realistic and better grounded in psychology. Only then can we predict how an economy will perform when it is gripped with fear and loathing.

Oh, and have a happy and prosperous new year! These are exciting times, and things can only look up from here!

**Colin Read runs Economic Insights, a local economics consulting firm, and has taught economics and finance for 25 years. Portions of this column are derived from his next book, "The Fear Factor," to be published this year by Macmillan Palgrave. He can be reached at [economicinsights@gmail.com](mailto:economicinsights@gmail.com).**

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