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55 YEARS

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We all need to take stock and figure out what we want government to do for us

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Despite a strange year for weather and growing, Labor Day finished strong -- just magnificent. Tropical Storm Earl went east and up to Nova Scotia. Some would say we dodged a bullet. Then again, others might say we needed the rain! Darkness comes at eight o'clock now, so if you want to get in 18 holes, you'd better tee off by 3:45 PM!

The fall primary elections are here and so far it has been underwhelming. One political pundit explained that the voting public doesn't really tune in until after Labor Day. So why have they spent millions of dollars before Labor Day? It may be practice -- so they will know how to spend big when they get to Washington. It is easy to be, and to stay, cynical. The Democrats face a stubbornly high unemployment rate (9.6% nationally as of this writing) but the Republicans do not have many real answers -- other than tax cuts. Many small businesses I talk to are not worried about paying taxes because their margins are paper thin. They are very worried about the cost of mandatory health care and other costs associated with hiring more staff. Most are doing just about anything not to have to hire anyone!

A recent article in Construction Resource Magazine titled "Are Consumers and Businesses Losing Faith In Our Banking System?" drew out several points of concern. First, some quick history. 1970 - Penn Central Railroad went bankrupt. Congress stepped in. Also in 1970, Lockheed faced bankruptcy. Congress stepped in. 1972 - Commonwealth Bank of Detroit became insolvent. The FDIC pumped in \$60 million (today it would be billions with a "B"). 1975 - New York City was on the brink. Congress came up with \$2.3 billion (with a "B"). 1978 - Chrysler was on the verge of bankruptcy. Congress guaranteed \$1.5 billion. 1979 - The first Pennsylvania Bank of Philadelphia became insolvent. The FDIC and the Federal Reserve stepped in to help with direct loans and guarantees. 1982 - Chicago's Continental Illinois Bank became insolvent. The FDIC showed up with \$4.5 billion.

So, there is a long legacy of helping our big banks and big corporations out in dire times. 2008, 2009, and 2010 continues this legacy. In 2009, a tough year for most of us, the 8,012 U.S. banks posted \$12.5 billion of profits. However, the recent federal rescue of the banking industry has restored bank profitability, but not the flow of loans. Last year, banks posted their sharpest decline in lending since 1942. They are tightening lending standards and taking fewer risks. Most are sitting on increasing deposits because people (and small businesses) are saving more.

Since the Great Depression, the role of government has expanded. In fact, since 1992 more people in the U.S. are working for the government than for manufacturing companies. And today, more citizens receive government checks than there are paying income taxes. Taxpayers (those paying taxes, are estimated at 42 to 45% of workers) now work half the year "working for the government".

The falling number of bank loans (liquidity and credit) is a big piece of the economic doldrums. Banks have stockholders and we do not want to return to the loose lending of 2000 - 2008, but we need to right the ship enough that bankers are confident enough to lend and borrowers are confident enough to borrow. To some degree, politics got us into this situation and it will be necessary for politicians to help get us back on track. As Jeff Thredgold often says - "All members of Congress and the Cabinet should be required to take a year off and attempt to run a business under all the regulations that they passed!"

I was in New Jersey last week trying to help a not-for-profit client relocate a mental health program. State regulators insisted we present a Certificate of Occupancy (known as a CO) before they would come inspect and make a determination whether they would grant a license for this site! The not-for-profit and the landlord simply asked for a walk-through to fully determine what would be needed in order to get the license (and a CO). This bureaucratic shuffle took three weeks to sort out and forced the not-for-profit into very expensive space, as that landlord knew the time pressures the not-for-profit was under. Ouch!

Painful experiences like this one could make a libertarian out of anyone! The mid-term elections are likely to tilt back toward Republicans/Conservatives, but that does not mean that Washington has any more clue as to how to ignite our economy. We all need to take stock and figure out what we want government to do for us (v. what are we're prepared to do for ourselves) and then what we are willing to pay for government's contribution to our well-being. Right now we expect too much and aren't willing to pay for half of it! It strikes me as a long walk off a short plank!

We are hopeful now that Labor Day has passed, people on Main St. will get back to work and be looking for more space from which to create the goods and services.

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