The Savage Truth: Confidence is king

by Terry_Savage

The foreclosure plan carries many of the same drawbacks as the stimulus bill. Both are full of good intentions and comforting provisions for those who find themselves in financial trouble. Both pay lip service to words like "stimulus" and "incentives."

But in the end, both of these headline programs rely on government to make the decisions, to pick the winners and losers, and to subsidize those solutions with money taken from people who aren't in financial trouble â€” yet!

It's easy to blame the markets, and the overwhelming greed of those who profited at others' expense. There is simply no way to defend that kind of behavior. It is an example of human nature at its very worst!

An equally dangerous mistake, though, is to decide that the answers lie with government planning, bank nationalization, congressional control over asset allocation and government subsidies to failing industries.

You don't need a long memory to see how that kind of "planned" economy leads to shortages, stagnancy, and black markets. Central planning was tested to death in the old Soviet Union.

Certainly, there must be a middle ground. Somewhere between the ravages of greed and the monstrosity of government control, we must find the path to get the economy growing again.

It won't happen by pitting Americans who saved and paid off their mortgages, or are still paying, against those who were either greedy or unfortunate enough to be caught in this recession. We can't draw a line and say that on one side are "good" Americans and that those on the other side are "bad." And we can't allow government to determine which is which!

Our economic solutions must be tempered with mercy â€” and self-interest! Job loss could have happened to someone in your family, through no fault of their own. The statistic of 5 million out of work includes a lot of hardworking, loyal employees who never expected to end up in this spot.

If compassion doesn't move you, then self-interest should. Insisting on foreclosures when well-intentioned homeowners simply can't pay until jobs are restored is a self-defeating solution. The more foreclosure sales, the lower housing prices will fall. That means even those with jobs can't refinance to pay for college or sell a home to fund retirement.

Make no mistake, many of today's problems would solve themselves if the economy could move back to a path of growth:

â€” With profitable growth, there would be more demand for workers, less unemployment.

â€” With more people employed, there would be more demand for housing.

â€” With more income, there would be fewer foreclosures, and home prices would level off and start rising again.

Sadly, economic growth requires more than a huge surge of taxpayer dollars into the slowest areas, like housing and autos, or even banking. The best stimulus is confidence.

But with the best of intentions, the administration's plans seem to introduce more confusion than confidence into the economy.

How can businesses have confidence about investing in the future if they're unsure whether the next government ruling will produce more taxes, or more regulations, or more rules about layoffs or pay levels?

How can individuals feel secure in saving and buying decisions, if government money creation is likely to cause inflation? Or if the rewards of your diligence in saving and paying down your mortgage are offset by taxation that takes your labor to subsidize others who failed to plan?

America is walking a fine line these days. We are a generous and optimistic people. But our history shows that Americans can only be pushed so far when it comes to taxing their efforts.

The Boston Tea Party was the result of an unpopular tax levied by the British Parliament on tea imported into the colonies. The Stamp Act, requiring a tax to be paid on all legal documents, contracts and newspapers, triggered a revolt because it was passed without representation in Parliament.

Politicians are trying to make it look like it's Democrats vs. Republicans when it comes to debating the economic future. But more and more, it's looking like Americans vs. Congress â€” all the politicians, of both parties, who have been digging into the pockets of Americans under the guise of "helping."

When it comes to that confrontation, my bet is on the American people.

And that's the Savage Truth!

Terry Savage is a registered investment adviser and is on the board of the Chicago Mercantile Exchange. She appears weekly on WMAQ-Channel 5's 4:30 p.m. newscast, and her new book, "The Savage Number: How Much Money Do You Make?" has just been published.

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