

The Brilliance Factor (draft not for publication except by CRBJ)

A year and a half ago at the beginning of the economic downturn and the beginning the multitude of stimulus packages, I wrote that we had failed to stimulate four things. Specifically, Retirement Funds, Mortgages, Employment, and Consumer Debt. The editorial ran in a number of papers including the Milwaukee Journal and Cap Times, you can read it [here](#). I am not suggesting any specific brilliance in my observations (although this would be a great place for my editor to insert a note suggesting otherwise)(EDITORS NOTE: He works cheap, does that help), but I do want to point out that many of these problems still exist and we are doing little to address them even today.

We are seeing a slight return in the stock market, but the real winners are those who bailed out early and only returned when the market hit bottom and are now reaping exponential profits. The retirement funds that stayed the course have seen some recovery but remain far below their former promise of a life of travel and leisure after an early retirement. The 60 something leading edge boomers continue to remain in their jobs and hope for a normal retirement in five or ten years, and, for the record, there are a lot of them.

While a few banks, like M&I have placed a moratorium on foreclosures, something I suggested across the board two years ago, others continue to pursue taking back homes and placing them on the market at discounted prices. This effects the entire market value not to mention tax base, jobs, and the rest of the economy. Even more disturbing are the pundits in the mainstream media suggesting if you are upside down on a mortgage you should just walk away.

A massive Financial Reform Bill did little or nothing to actually address existing consumer debt. In fact by regulating the industry, credit is now more difficult to obtain and the real winners are the sleaziest of the lot who prey on the most desperate with offers of debt elimination or consolidation. I continue to suggest a federal supported rescue plan that offer consumers a chance to restructure debt without obsessive penalties at interest rates south of 5%. A simple test would be - can the banks afford to pay the same penalties and interest they charge their own customers.

Finally jobs. Our federal government just extended unemployment benefits at a cost of hundreds of billions of dollars. At the same time they reward companies that layoff employees - in fact, in the restructuring of the auto industry they actually mandated layoffs as part of the deal Am I the only one that sees this as the stupidest of all ideas on the planet. We talk about the importance of creating jobs and yet we layoff workers to appease the government. A government who, by the way, is also laying off employees - at least the government is leading by example.

Why do we not turn to the people, the employees, as the solution to the problem - instead of assuming they are the problem. Lets shift our focus from bailouts, banks, budgets, and bureaucracy to the actual consumer. Let's create real jobs. Let's keep our workforce employed by creating economic incentives for companies that maintain or increase the number of jobs they create. We need to encourage across the board reductions in employee compensation instead of rewarding layoffs for struggling companies. We can then reward the same employees with bonuses or raises as profits return. We could generate new tax base from the some of the exponential profits gained through speculative capitol gains. I am just an observer, and one observation is that the unemployed do not buy new cars, homes, or other consumer goods regardless of how long their benefits last.

The Great Depression should have taught us that at the core of the problem it is eventually jobs that will restore a struggling economy. I am a fiscal conservative and not supportive of big government, public handouts or mandates, but the idea of creating more unemployment by downsizing in either the public or private sector when we are advocating for jobs is well lets just say that it is far less than brilliant.

Ken Harwood for Capitol Regional Business Journal – August 2010 – Not for reprint without CRBJ Approval