

## **The Tonge Telegraph** **October 2008**

### **Edge of the Abyss**

Some of you are hikers. Ever walk up to the edge? Put your toes right there and stare down into the gorge below? Get that feeling in the pit of your stomach? Some few people may actually understand the depth of the financial abyss into which we're staring. Not many. Still fewer have experienced it previously in their lifetime, nor the accompanying wild swings of the financial markets. Not since the Great Depression has there been the potential for a financial catastrophe touching capitalism worldwide, a potential we can now see and feel.

Some months ago in this space I alluded to the ancient Chinese curse: May you live in interesting times. The times have become ever so much more "interesting" since I wrote that. No sane person would choose such a course of events, let alone set it in motion. Who gets the blame? Plenty to go around, so let's implicate investment bankers on Wall Street, some of the mortgage brokers on Main Streets here and there, some of the folks who took out loans for houses they could not afford . . . Greed runs through the story, some of it purposeful, some of it thoughtless.

Just how and why we got to this place will be recounted in history and economics texts for years to come. We want to hope those chapters will contain equally long passages detailing what we did to avert the collapse and the consequent changes to our economic and political ways of life. We can and I expect we will do what must be done to step back from the abyss.

The so-called Wall Street Bailout is a logical first step. Nobody likes it a lot, and it is not, by itself, some kind of magic potion. What is clear enough is that our economy can't enter into a recovery phase if the banks aren't working properly, if, that is, they can't offer the credit to grease the gears. The bailout plan will help make this happen. In the longer term, a recovering economy will make it possible for the government to sell back the assets the bailout will buy and perhaps even make some money on the deal. No one knows whether this transaction will work as planned, but many people are convinced—Warren Buffet could not have been clearer on this point—that not doing it will take us still closer to the edge.

Testing times, then, for our financial system . . . and for our political system as well. No worse time is imaginable for this crisis than the final weeks of our quadrennial election drama. We really don't have time for politics as usual, which is what the Washington band is playing just now. My surmise is that Mr. Buffet has a clearer understanding of this situation than any of our elected officials, partly because he's not running for any office. As events unfold, we may all be excused for thinking these times are a lot more "interesting" than we need them to be.