Following the herd hurts economy, experts say

Listening to others' fears can obscure not-so-gloomy facts

By Julia Anderson
Columbian staff writer

Clark County's economy and that of the nation will recover from today's financial meltdown when people give up the herd mentality that has us galloping off a cliff.

That was the general thinking of four experts speaking at a noontime forum hosted by the Vancouver Rotary Club on Wednesday.

"Unfortunately people can make bad decisions based on what they hear and feel," Uchila Umesh, a Washington State University Vancouver marketing professor, told the group of about 170 at the Red Lion at the Quay. "Right now we're dealing with a stampede. The wildebeests can't see into the distance and instead take their cues from those around them."

The reality, said Umesh, is that houses are being sold, roads are being built, life expectancy is going up and most people are working.

"And if we look at the long-term trends, the economy is only down a little bit," he said.

Umesh was joined by Deborah Oester, a mortgage banker with Bank of Clark County, Parker Cann, president of Columbia Credit Union, and Bill Roller, owner of BR Mortgage, a Vancouver financing company.

While the group spent some time looking back at how the financial meltdown got started and gathered steam, Roller suggested that there are similarities between the current situation and prior events, such as the savings and loan crisis of the 1980s.

"People start trusting the RSGs (Really Smart Guys)," Roller said. "But when you attempt to reach too far for yield, you can fall short."

Financial outlook

Cann said many in the financial industry are still waiting to see how the federal government's bailout plan will unfold.

"The bottom line result of all this will likely be more regulation of mortgage lending and the investment business, along with more bank examinations and more risk management," Cann said. "The consumer could end up suffering because of a consolidation in the banking industry and a tightening of regulations that could raise costs and slow lending."

His biggest concern is how the government can be an investor in banks that it must then turn around and regulate.

"How this will affect competitiveness in the industry is not clear," he said.

Cann said there's reason for optimism and sees the local and national economies "working through the situation."

Housing

Oester emphasized that Clark County lenders are still making mortgage loans to those with jobs and a good credit score.

“For lenders, it’s really back to basics,” Oester said. “At the peak of the housing bubble, houses were sold to buyers who did not intend to live in them or even rent them. Once we clean out and purge this excess inventory, the housing market will settle down. We’ve just got to remember all the positives about our region,” she said. “We’ve lost sight of that.”

And that’s the problem, Umesh said.

“Individual investors, government officials and financial leaders must make decisions based on accurate information,” he said. “Dissemination of solid information would go a long way to solve this problem.”

Americans, he said, seem to be overly critical of what they see today. But people sometimes want the bad news even if the news is not bad.

“For instance, crime statistics show that crime rates are down, but crime reporting and crime shows are up because that’s what people want,” Umesh said.

The professor sees the national economy coming out of the downturn faster than some might expect, with stock markets already having incorporated the expected economic slump into share prices.

“There may be more bad news we don’t know about, but we need to be careful about this gloom and doom, just like we need to be careful about being too euphoric.”