

Loss of control

It's been snowing where I'm working this week, and it's amazing to watch people try to drive in the stuff, particularly when it's one of the first bigger snowstorms of the year.

I grew up driving in snow, at least part of the year, and still I drive hundreds of miles each year on snowy roads. Despite that experience, I long ago learned that you can't trust the stuff. You think you're in control, and then all of a sudden, you're not. One moment you're driving down the road, the next moment, you're driving down a ditch.

It's snow -- and it's slippery stuff. Although I drive in it time and time again, and have done for 36 winters, the stuff still terrifies me -- I know too well how you can easily get out of control.

If you're like most people, I imagine you're feeling that same sort of feeling right now -- loss of control. Here you are, you work, save, plan, invest, and try to keep your eye on the ball, and all of a sudden a bunch of decisions made by others is hitting home close to you. What's more, you make your own decisions -- and they impact on others. At least part of the problem with our current mess is that the American consumer, who has long been the engine that has driven prosperity in the United States and much of the world, has clamped down on their pocketbooks, zipped up their wallets, and stopped buying.

Plus, many of the people who have quite a bit of money have lost some of it -- until they get it back, many of us little guys will be hurt as well.

Loss of control -- just like driving in the snowstorms.

So here's Gibson's guide to surviving the downturns -- or the snowstorms. Take your pick.

Rule number one: Try to keep moving, except when you shouldn't. That sounds dumb, I know -- but here's the physics behind it. It takes more energy to get someone started from a full stop than it does from a movement -- so when you're driving up a hill that's got a lot of snow on it, leaving a lot of space between you and the guy in front of you will help -- it allows you to creep towards him and postpone stopping until the very last minute. What's the good of that? If you're stopped, you have to expend a lot more energy to start again.

The world's economy is somewhat like that drive up a slippery hill. Some person threw a monkey wrench into the works, and the whole shebang stopped on the way up the hill. It's going to take a while to get started again. If you're still moving, keep moving for as long as possible -- you're going to do better in the long run, even if you have to slow down a bit, or change lanes to accomplish it.

Bill Cosby used to tell a story about driving a "standard" or "manual" transmission in San Francisco. He got to the top of one of those steep hills, and found someone had placed a stop sign at the top of the hill. As I recall, he said he and the other drivers around him put their parking brakes on and turned the thing into a used car lot.

Rule number two: Watch out for the other drivers around you. In snowstorms, this is essential -- you have to expect other people to do stupid things, and then avoid it. It helps when they (and you) give plenty of warning, but sometimes, it's not going to happen that way. In the economy, expect people to do irrational things. One woman I know went to the bank and withdrew several hundred thousands of dollars out of her accounts, put it in a box, and stuck it in her attic. It didn't matter to her that her bank was one of the most secure and solid banks in the business. I think the money's still there. Do you want their address?

People do irrational things when they get agitated. She points out that the box is protected by a high-density padlock -- which of course, doesn't matter when you can pick the silly thing up and carry it off.

I bet you know odd people who have done things like that -- perhaps you're one of them. Yes, it's a downturn, and the leadership blunders and stupid managers have made it a significant one. It doesn't help that people have bought houses they couldn't afford under any set of circumstances, or that others have lent them money on a dream and a promise.

But when these people make their stupid moves, you don't want to be around them -- any more than you want to be next to a vehicle that is slip sliding away down a snow-covered icy road. Watch for the nimrods, and stay out of their way.

Rule number three: Get your own information about the storm. Before I drive in a storm, I get as much information as I can -- and then act on that information. Sometimes, that means I'll wind up delaying my trip, or escalating the departure time. But I've found that if it's storming anywhere within a 400 mile radius, the local gas station attendant is perfectly willing to give you a weather report -- and it's almost always "I heard it was dreadful out there." You have no way of knowing about their information, and even though you should discount it, you shouldn't ignore it.

I am of the opinion that the magnitude of this current financial crisis is escalated

in the public's vision because the media outlets that are reporting it are going through downsizing themselves. It's the old adage, once quoted by Ronald Reagan, that "if you lose your job, it's a recession, if I lose my job, it's a depression." Many reporters are facing cutbacks in the traditional media, and that has the effect of escalating the drama with which they look at the current recession. Headlines blare "depression" because the editors are fearful for their own jobs.

Get your own information -- as much as possible, trust the "primary" sources. Thanks to the Internet, and the ease of information flow, you no longer have to trust the newspaper's idea of what tomorrow's weather is going to be. You can read the forecasts directly from the weather service; you can look at the radar maps; you can see the traffic cameras. Although you should collect information from everywhere, you should trust the primary sources first.

In a storm, that information might help save your life -- and in this financial storm, it can help save your financial future. Gain primary information, and learn who to trust.

Rule number four: Take it easy, but don't be afraid of the occasional risk. A few years ago, I was in the middle of a whiteout in the mountains of Utah. I couldn't see where the freeway was. All of a sudden, a FedEx Ground truck passed me (he missed me, thankfully), and he was followed by a string of cars. He was located higher than I was, could see the road better, and was knew where he was going. To tell you the truth, he was traveling a bit faster than I would normally travel in such conditions, but I knew if I lost him, I'd probably not find another chance -- and the other drivers knew that as well. I pulled into the conga line, and gave as much space as I could afford -- but I sped up to keep up with the FedEx truck. Within a few miles, I was through the whiteout, and I could slow down to a pace that I liked better -- but taking that chance probably saved me from accident or calamity. Within a few minutes, I realized there was no other traffic coming from either side -- the road had been closed, and I was one of the last cars to traverse that mountain pass. If I hadn't taken the risk, I might have wound up in serious trouble -- but taking the risk, even though it was outside of my comfort zone for snowstorms, was what I needed to do.

In our current economic trials, you're going to want to take it easy, but occasionally, there's going to be someone who can see more clearly than you can see. Although we need to be cautious, we shouldn't allow ourselves to lose all sense of opportunity in an economic whiteout.

Rule number five: Realize that your current viewpoint may be faulty. I've written about this elsewhere on this site, but some twenty-five years ago, I was in the middle of a really bad storm. My wipers were going flat out, and I couldn't see that well. Driving rain was pelting me right and left. Finally, I passed a car and trailer on a hill, and miraculously, the deluge stopped. Yes, that's right -- the

storm was coming from that vehicle, which was picking up the water off the road and flinging it into my windshield.

Now here's the key -- I'm experienced in driving in storms, but my mind was so set on keeping my way in the mess, that I didn't have a correct understanding of the extent of the problem -- or its cure.

Other storms are like that, as well. We get in the middle of the things, and our information gets poisoned. It's the old adage of "we can't see the forest for the trees." On another occasion, I was in the middle of a snowstorm and just couldn't see where I was going. I pulled off at the next exit, and scraped a solid inch of slush and snow from my headlights -- you'd be surprised how much brighter the night got.

In this economic storm, when we're in the middle of the thing, we just don't have a good indication of what's happening. We look for indicators -- upticks, downticks, downturns, upturns, but those indicators lag the reality of the moment. Economists may well look at the indicators from a year ago, and say the economy was in a recession -- but what good does that do to us, now? It just fouls the mood further. The truth is that so many people are in the middle of this storm, and they don't have a good idea of where the storm really lies. They are making turns that just lead them on more difficult roads.

Make certain of where you're going -- and make certain you have enough information to light up your path. If you don't occasionally doubt your assumptions, you may be on the wrong road, in a storm that you can easily drive out of.

Rule number six: Keep positive about your chances. If I believed I would die in each and every snowstorm, I'd probably just stay at home on the couch all winter long. But in any economic storm, opportunity exists -- sometimes in unusual places. For instance, in the financial market meltdown, some people made lots of money -- they sold the companies short.

After all, in every snowstorm, there are snowplow drivers who are making a bunch of money clearing the stuff away -- and auto body places that deal with the fenders after the fender-benders are done.

Storms are a fact of life -- even Hawaii has typhoons -- and learning how to deal with the storms and downturns in our lives is an essential element of maintaining a positive life. Not every day will be sunny and bright, and not every night will be star-studded and clear. Sometimes, there are tornadoes, snowstorms, electrical storms, and typhoons. Earthquakes may lurk in our future, downpours may come our way.

And economic downturns will come. For every boom, there's likely to be a bust.

For almost every bust, there's a going to be an economic boom.

Dealing with these storms -- whether it be "snow and blow" or "commodities and treasuries," is something we all need to do. Learning how to navigate their occasionally-treacherous paths should be considered essential knowledge to each person driving down life's pathways.

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