

Financial expert urges patience

By Liz Welter

Marshfield News-Herald

September 22, 2008

The Bush administration asked Congress on Saturday for the power to buy \$700 billion in toxic assets clogging the financial system and threatening the economy as negotiations began on the largest bailout since the Great Depression.

The rescue plan would give Washington broad authority to purchase bad mortgage-related assets from U.S. financial institutions for the next two years. It does not specify which institutions qualify or what, if anything, the government would get in return for the unprecedented infusion.

Democrats are pressing to require that the plan help more strapped borrowers stay in their homes and to link the bailout to new limits on executive compensation.

If the federal government were to do nothing and allow the market to correct itself, the current crisis in the financial markets could spread into other sectors of the nation's economy, said professor Randy Cray, director of the Central Wisconsin Economic Research Bureau at the University of Wisconsin-Stevens Point during a community economic meeting in Marshfield.

"This is such a volatile time. I've been doing economics as such for 30 years, and I can't recall a time as volatile as this," he said. "It's changeable, and there's so much uncertainty."

The current meltdown is predominantly in the financial sector, while past serious recessions and the Great Depression ran through the gamut of the nation's economy.

"In the late '70s and early '80s, there was high inflation and lots of unemployment. It was bad and stayed bad. It's not that bad now, but we don't know. People don't know where to park their money," Cray said.

Underpinning all financial businesses is consumer confidence, Cray said, and his advice to those who are concerned is to keep savings invested because historically there is a rebound.

People who are invested in the stock market and stay in through the ups and downs generally come out ahead, he said.

-- The Associated Press contributed to this report.