

Samuelson has right ideas on economic recovery

In his column last Sunday, Robert Samuelson again hit the nail on the head when it comes to explaining our current economic woes and what we need to do to overcome them.

As Samuelson observes, "The world needs a new engine of growth to replace free-spending American consumers and their ravenous appetite for other countries' exports."

At the heart of every economic crisis is the same defective thinking.

We have all unwittingly bought into the notion that everyone has an inalienable right to the same things in life regardless of their ability to contribute toward their acquisition or maintenance.

But reckless spending, either by individuals or by nations, always leads to the same inescapable result: economic instability and a painful corrective process.

We can only avoid the inevitable for so long; eventually, fiscal irresponsibility always catches up with us.

So how did we get to this point? One of the primary cul-

prits is installment loans.

When installment loans were first introduced, they arguably opened the doors to a higher quality of life for many Americans.

They allowed a larger segment of our population to buy automobiles and houses – items that they would not have been able to acquire otherwise.

Installment loans can serve a very useful and productive purpose if employed appropriately and with restraint.

There should only be one criterion, however, used to determine whether an applicant qualifies for any loan: Is there a reasonably high probability that the person will be able to repay the loan?

If this question cannot be answered in the affirmative, then the loan should be denied. The same principle is true for any financial instrument, regardless of what the Wall Street magicians call it.

This is a very simple lesson that we seem to have an extraordinarily difficult time learning.

Aaron W. Hughey
Bowling Green

The Daily News
(Bowling Green, KY)
Thursday, May 6, 2010
pg. 4-A