BUSINESS AND FINANCE

One Man's Opinion

By Gerry Chong

Isn't it interesting that, no matter what problems or risks society faces, there appears to be a free market proposal, and an opposing governmentally controlled proposed solution? Take the question of Financial Regulation. The issue is this: When the economy crashed, financial institutions failed; resulting in the government provided taxpayer funds to bail out those deemed "Too Big To Fail." What can be done to prevent this from happening again?

To respond, Congress has proposed a single regulatory Czar (here we go again) to regulate the entire financial system, but President Obama, not to be outdone, has proposed four czars, each regulating a different part of the system. Moreover, these czars would preside over an increasingly complex web of rules and regulations. These regulators would control a small number of giant corporations having a strangle-hold on the economy. With their out-sized power and implicit backing of federal regulators, it would place smaller community sized financial institutions under enormous pressure.

Commenting on this approach, economist Henry Kaufman, writing in the *Wall Street Journal*, says this would create a system in which big institutions act as a governmentally controlled public utility dominated by a few very large companies and very little competition. Even in this regulatory environment, a giant could fail, resulting in more taxpayer bail outs.

By contrast, in a free market approach, Kaufman suggests that the U. S. should break up the major financial institutions so that the failure of any would not be significant enough to risk the financial health of the country. If each company is not "Too Big To Fail" there would be no need for public funds to bail them out. The resulting increase in the number of financial institutions would increase competition to favor customers.

Kaufman believes the direction of financial institutions is at a cross roads. Either we will retain a few financial giants under heavy governmental regulation, or we will break up those giants that pose a risk to the economy, and in the process, create more, but smaller competitors. Kaufman, in his approach, does not imply a lack of federal regulation, but envisions a modern central bank under the direction of the Federal Reserve whose policy making would be independent of politically appointed czars.

This past summer, President Obama correctly stated that the conflict between his policies and that of the Tea Party is over the question of the proper role of government. Nothing could bring that question into clearer focus than this question of future financial regulation. •

Be Realistic About Holiday Expenses

By Jason Alderman

When I was a kid, Christmas club savings accounts were quite common. Like their close cousin, the layaway plan, these accounts encouraged people to start saving far in advance for expenses they knew were coming.

In these tough economic times, a return to savings methods that worked so well for our parents might not be a bad idea. The basic fundamentals they understood included knowing what things really cost (including taxes and finance charges), prioritizing your expenses, and being willing to postpone or forgo purchases that will upset your overall budget.

The holidays are the most challenging time of year to curtail spending, thanks to long gift lists, frantic last minute shopping and higher-than-usual travel and entertainment expenses. Here are a few tips that can help you rein in holiday spending:

Add up expected holiday-related expenses including gifts (for family, friends and coworkers), decorations, new clothes and accessories, gift-wrapping paper, cards, special meals and year-end gratuities.

Don't forget travel-related expenses if you plan to leave town, and try to recall unanticipated expenses from last year that might recur.

The flipside – and more important aspect – of holiday budgeting are to calculate how much you can actually afford to spend. If you are deeply in debt, having trouble paying regular monthly expenses, worried about being laid off or haven't saved an emergency fund, this isn't the time to rack up additional debt. So, revisit your list and look for items to trim. A few thoughts:

Arrange gift lotteries with family members and close friends so each of you can concentrate your time, effort and money on getting fewer, nicer gifts.

Speak candidly with friends, coworkers and extended family about placing a moratorium on exchanging gifts. They're probably feeling the pinch too.

If the gift-giving gesture is important to you, suggest pooling your resources with others to make a sizeable contribution to a charitable cause you all believe in.

If you're traveling just to get away, consider a "staycation" this year.

Give the gift of time. Older relatives and friends don't need another box of chocolates, but they could probably use your help with household chores, running errands or taking them to doctor's appointments. Plus, they would probably appreciate your company. For harried young parents, offer to babysit so they can run a few errands or simply recharge their batteries.

If you need to scale back on purchases, try making some gifts and get your children involved. Whether you're creating homemade cards or baking cookies for the neighbors, they'll appreciate being able to spend more time together.