

Leadership and the Search for a Silver Bullet

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From the sound of things a lot of our leaders seem to have rushed to judgment about this mortgage mess we're in. That is, apparently, that we need to do something quickly. The Wall Street Journal recently reported that Sheila Bair, Chairman of the FDIC, told the Senate Banking Committee that loan servicers need to "quickly formulate a plan" for addressing the 1.7 million nontraditional mortgages with rates resetting next year. ("Regulators Urge Fast Action by Lenders on Risky Loans," page one, Feb.1, 2008). She said that "waiting to confront the next reset problem will once again create the risk of falling behind a fast-moving trend." In the same article, Senate Banking Committee Chairman Christopher Dodd (D., CT) opined that "the hour is getting very late" and voiced his disbelief that the FDIC will "produce the kinds of results (congress) is looking for." One would surmise that we need to do something fast... but it probably won't work.

Days later, the same publication reported that the banking industry is urgently shopping a proposal around Washington to transfer some of the risk for troubled loans to the federal government ("Worried Bankers Seek to Shift Risk to Uncle Sam," page two, Feb. 14). Never mind that the Bush Administration so far has rejected talk of a federal bailout. But that won't stop them. Time, our leaders suggest, is of the essence. I am uncomfortable with this. I believe that the best thing our leaders can do is avoid the urge for the quick-fix. Like the man who pops aspirins to combat a headache and then pops more when fast-acting somehow doesn't seem fast enough, and still more as the headache bangs away, then finds himself wandering around outside now that the drugs have peaked, acting quickly for the sake of acting quickly is not effective leadership.

Moreover, I disagree with Senator Dodd, who in the exchange described above observed that "the listening period, in my view, ought to be over." I don't believe we are well served equating speed to action with effectiveness of solution. Rushing through situation and cause analysis is detrimental to diagnosing and correcting complex problems as these. One needs only to look at other hastily crafted legislation like the Administration's Hope Now initiative, which has bailed out only a small handful of distressed homeowners, to see that quick-fixes make better political talking points than leadership strategies. Treasury Secretary Henry Paulson has correctly observed that there is no "silver bullet" to solve the mortgage industry mess. Then stopping the quick draw contests makes for a good start.

What is the appropriate role of leadership then? I suggest demonstrating the leadership characteristics that served past leaders so well in tough times. Ronald Reagan, the Great Communicator, invoked the metaphor of the Shining City on the Hill to convey the overwhelming strength and opportunity that is the United States. Today's leaders ought to remind us all, domestic and international, that the U.S. economy trends up and trends down as a natural course. They should remind us that the Invisible Hand described so well by Adam Smith is as

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viable in tough times as in good. Our leaders should paint a compelling picture of private, public, and government sectors working together for as long as it takes to overcome the current challenges. Sound bytes, finger waging, and blame assigning ought to be replaced by the confident unity of purpose and direction that is so needed right now.

Another leadership characteristic that I would benefit from, one that The Great Communicator used to motivate a generation of followers, is passionate, consistent, and optimistic communication as a means to align today's followers and tomorrow's leaders to the purpose and direction (or vision if you will) that will see us through the crisis. This infers to me that our leaders will have done the hard work of assessing the situation and root causes of the mortgage mess. It further infers that short-term temptations such as tax rebates, additional regulatory and legislative bureaucracy, and quick-fixes that only prolong the housing turmoil and drag down the economy can be avoided in favor of more creative systemic solutions. Our leaders would then be free to explore and implement wider ranging and longer term solutions.

My own sense, in observing the discourse and the flailing around for the silver bullet, is that now more than ever we need strong and unified leadership to seek non-reactionary, apolitical, and scientific discoveries of the root causes of the mortgage crisis and to implement bold and creative long-term problem solutions. That and a string of positive economic news, lower interest rates, and a bit of good old fashioned luck should do the trick. What we don't need is to do things fast in the hope of doing things well.

~ Jeff Schurman, Executive Director, TAVMA