



Fri September 26, 2008

## Consumers: Even if plan passes, public may not buy it

By Don Mecoy  
Business Writer

The U.S. government's proposed \$700 billion investment in the financial sector is designed to restore trust in the nation's economic system. But some local financial experts fear consumers may not play along.

Consumers, who annually pump about \$700 billion into the U.S. economy, may continue to rein in their spending even if the proposed bailout rescues over-leveraged financial giants, said Robert Dauffenbach, director of the Center for Economic and Management Research at the University of Oklahoma.

"It's clear that the consumer is in retrenchment; we're seeing signs of that," Dauffenbach said. "As the economy is slowing, you can expect that type of action to continue."

The sheer size of the massive taxpayer-funded rescue could further sour consumer sentiment, Dauffenbach said.

The amount of money involved in the financial rescue is mind-boggling. In fact, it's nearly as much as all the U.S. currency in circulation. As of December, all the U.S. bills and coins in the world totaled \$829 billion, according to the Federal Reserve.

"The big concern is the attitude of the consumer," he said. "They wonder: With these tremendous debt loads, will the government be able to afford my Social Security?"

The credit market mess eliminated consumers' option of dipping into home equity for ready cash, Dauffenbach said.

Oklahoma's strong economy won't protect it from a widespread meltdown in the financial sector, Dauffenbach said. The size and breadth of the largest financial players means their problems produce widespread woes, he said.

"As a consequence, problems that a bank dealing nationally has certainly have repercussions in Oklahoma," he said.

This level of government intervention likely would trigger major economic changes, but the move is a reaction to an economy that already has shifted dramatically, Dauffenbach said.

"The rules of the game are changing," he said.

Matthew Bristow, a managing director at ClearRidge Capital in Tulsa, said Oklahoma businesses need to prepare for possible changes in the lending market.

"If you're a mid-sized company in Oklahoma right now, you want to do a complete health check of your financial situation, even if on the surface everything looks great," said Bristow, whose firm works with mergers, acquisitions and turnarounds of mid-size companies.

Bruce Jones, also a managing director at ClearRidge Capital, said business people need to be prepared for a possible "drastic" consumer pullback on spending.

"That's the 'x' factor that all of us can guess, predict, and have an opinion on, but the next few months are going to tell us a lot," Jones said.

Bristow said the huge investment the industry expects should help bolster the most important aspect of credit markets — confidence.

"As long as there is confidence that there is a big backer behind the economy ensuring that it's not going to fail, then things will probably ride out a lot smoother than if

ADVERTISEMENT

TOP TEN MOST POPULAR

Today  
This Week  
Sports  
Comments

Bush scrambles to save \$700B bailout plan  
Pickens fund trouble will impact OSU sports  
Duncan attorney charged with embezzling...  
Pigeon drop scam costs Oklahoma City man...  
2009 OU football recruiting class ranked 7th...  
Child killer executed: bigamist denies...  
Cummings put to death at state prison  
MySpace bragging brings \$320,000 tax...  
Former Oklahoma City attorney headed to...  
OU football notebook

[View More Most Popular Categories...](#)

everybody is terrified the system could fail," Bristow said. "That is the worst case — that people are frightened that the system could fail."