Understanding The News

Setting The Economy In The Right Direction

(NAPSA)—If handled correctly, a social or economic crisis can set the stage for a new period of prosperity. The current financial crisis may present an opportunity to develop a new kind of economic leadership for the U.S. economy that will benefit consumers and businesses.

Recently, the governments in the U.S., Europe and other regions have taken drastic steps to address various aspects of the current economic crisis.

The steps taken by governments here and overseas have a common characteristic—they depend heavily on increasing the role of the state in the private sector, through providing lending to banks, buying out failing financial institutions, or "creating" new government capital investment initiatives that are supposed to boost economic growth.

Whatever the initiative, many believe that the government should direct its efforts to programs and policies that encourage productivity, international competitiveness and economic growth.

There are those who argue that the key to generating economic growth is the introduction of new products and services that will engender new consumer demand, just like breakthrough companies did in the past. Government's contribution to this phenomenon, however, remains disputed.

According to Dr. Alexander Mirtchev, an expert on the economy and president of the global consulting firm Krull Corporation, historically, economic, social and political crises tend to lead to bigger government. However, the government should use taxpayers' money to directly support the most productive segments of the economy and address the most damaging social fallout of the crisis, rather than to reward the mistakes of select institutions. In addition, free trade and increased international competition have numerous benefits for the economy that should not be ignored.

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He also believes that intervention should be balanced, measured and taken as a "bitter pill," keeping in mind that the difference between medicine and poison is often a matter of quantity.

Mirtchev argues that the most successful examples of government intervention were implemented with an exit strategy that was based on a clear analysis of when it would be most politically and economically beneficial for the government to cease its involvement.

He holds the opinion that the inability of trusted leaders to convey clear and simple answers to the public's questions has left many consumers and investors feeling uneasy. Said Mirtchev, "The lack of understanding causes a lack of confidence, which reflects negatively on the economy."

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