

# REFLECTIONS ON THE PAST AND PRESENT

by Roland Rodrock Randall, CRE

There have been too many events happening recently reminiscent of the business climate that prevailed before the Great Depression. I refer specifically to the recent announcements of bank closings such as the savings and loan fiasco in Ohio, the attempts by various financial institutions to curtail further closings and the efforts to "bail out" failing banks. All of this occurred in the late 1920s and early 1930s, and while the names and amounts are different, the events are disturbingly similar.

The early warning signals were ignored then, as now, with the same statement being expressed: "It happened before but it cannot happen now." But it did happen and the far reaching effects were most staggering. In a recent issue of the *Philadelphia Inquirer* the following headline appeared, "House Panel: U.S. Policy is to Save Big Banks, Let Smaller Ones Fail." The article referred to a House panel studying the assistance being directed at the ailing Continental Illinois National Bank and Trust Company. During the Depression it was common knowledge that many banks would be allowed to fail but that it was important to save the insurance companies. Fortunately not all the banks nor the insurance companies failed, but at the time the tense atmosphere created panic among most financial institutions and the general public.

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However, it is not too late to learn from the past and reverse some of the present economic investment trends. The best informed and most knowledgeable economists have predicted that "high interest rates and record budget deficits would be the primary culprits." Interest rates have been lowered for the present, but the problem of the mounting federal budget deficit, while of great concern, has yet to be addressed by the President or Congress.

Real estate is being sold at prices that far exceed the inflationary trends. Does this imply an imbalance between speculative prices and intrinsic value, or are investors attempting to outbid each other to everyone's detriment? There comes a time when it is necessary to analyze a project on the basis of its own merits. Proper values and motivation must be considered. Profit is important but first there must be an intrinsic need.

Yet some of our most successful endeavors have developed during depression-like periods; conversely, outstanding failures have taken place at the peak of such cycles. The concepts of motivation and intrinsic value always need to be considered. To be overly optimistic is dangerous; to give too much weight to pessimism is defeating.

It was in the spirit of providing balance and avoiding emotional decisions that the American Society of Real Estate Counselors (ASREC) was founded in 1953. The Counselor (CRE) is able to provide professional guidance and sound judgement. The idea of competent, impartial and objective thinking is as essential now as it should have been in the 1920s.