

[back to article](#)



It's not time to panic, area expert suggests

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THIBODAUX — Congressional rejection of a \$700 billion buyout for Wall Street should not result in panic on Main Street on Barrow Street, a local economics professor says.

The legislation would have allowed the government to buy bad mortgages and other assets held by troubled banks and other financial institutions. Supporters said that would allow companies to be more willing to lend, thus aiding an ailing national economy and staving off financial catastrophe for ordinary Americans. Opponents bristle at what they see as a taxpayer bailout of greedy Wall Street companies that deserve to fail.

Congressional leaders are working on a new plan after a day that saw the Dow Jones Average drop 777 points.

Bruce McManis, chairman of the Nicholls State University Department of Finance and Economics, agrees the situation is dire. But he does not see the potential for an immediate effect in the Houma or Thibodaux area just yet.

"The market took a hit today," McManis said Monday. "Is it the biggest or the worst ever? No. Not even close."

While financial analysts are noting the large drop in points, the actual percentage drop overall is less dramatic, McManis said.

"Retirement savings and 401Ks, near term they are taking a hit. But my attitude toward it is what went down is going to come back up, so bear with it," McManis said. "If you are retiring in the next couple of

years, it will have a definite impact. But after five years, it's a definite bump in the road behind you."

Buying power for items like cars and houses will not be affected, McManis said, for local buyers who have retained good credit.

"I've spoken to real-estate people and people with local banks about this," McManis said. "We are returning to the idea that you have to have good credit. Local banks have money to lend and they want to lend it. Loans are happening. Real-estate people are not joining breadlines and losing their houses because they can't make a living."

Local banks not affiliated with corporate giants will likely remain strong, McManis said.

"Local banks are very sound," said McManis, who praised local bankers, "They must have paid attention while they were in school because they are abiding by smart, sound banking."

Local institutions such as Synergy Bank, South Louisiana Bank, Coastal Commerce, Community Bank and State Bank and Trust, McManis noted, also have more direct control from small boards of directors and minimal shareholder memberships than multi-national institutions.

Larger banks that are not homegrown but have large numbers of shareholders in Louisiana, McManis said, are also more responsive. The shareholders of these small and mid-sized banks, he said, are not likely to allow irresponsible behavior and risks by CEOs and boards of directors.

The biggest victims of the current financial situation in the banking world, McManis said, are "all these businesses that have been playing on the margin in the new economy out here."

The local economy, he said, is shielded in several ways from trouble.

"We don't have Fortune 100 companies home based here and right now it's a good thing we don't," McManis said. "If you work for Bollinger or North American Shipbuilding or some of these other businesses, they can do business locally with banks that know them and can help."

McManis offers some of the same reassurances given by federal officials that deposits at banks under \$100,000 will still be insured by

the federal government. Congress is considering raising that cap to \$200,000 for the next version of the bailout bill, according to published reports, but no commitments to that have been made yet.

Asked why he thought House members were so clearly opposed to the bailout bill, McManis noted that many are up for re-election in a little more than 30 days.

"They are in districts where they have challengers and this bill was very much disliked by the general public whether they understood it or not," McManis said. "People are saying they want \$600 billion and these guys are walking out of these failing companies, well my boss won't do that for me."

U.S. Rep. Charlie Melancon, D-Napoleonville, had a much easier time accepting the possibility of the bill becoming law and thus voting for it, McManis suggested. "He is unopposed," McManis said. "He didn't have to worry about that election. He could go with the House leadership."