

When will the party end?

Are we having fun yet? A waggish saying is “A fool and his money are some party.” But what happens when it is someone else’s money? Who stops the party? A number of businesses have been having parties on someone else’s money. Many of them won’t be able to make money when money flow is stopped. Some are trying to balance selling short term and buying long term which means they are taking on a lot of risk.

One way to think that we are doing well is to go hog wild on the credit cards, running up big bills but having a party while doing so. We can get drunk on the spending, the interactions fueled by the credit, and feel like we are doing well. The coming hangover can be so easily forgotten in the vapors of the events. The party lasts longer and has a harder hangover when it is someone else’s money.

We can find a number of businesses that have “run up the credit cards”. They have taken other people’s money and invested in very risky efforts. Several Atlantic City casinos were built that way and a number have gone bankrupt. The contractors who built them still haven’t been fully paid.

Some businesses people have been cut off by one bank only to go find another bank to fund their party. Unfortunately, there are enough bankers out there that some of these people never have had to face the “hangover”. Some have even gone to foreign countries to find money to keep their party going.

Recent examples include one of the shared office space companies which has been signing expensive long-term leases while selling short term rental. A clear analysis of their business suggests that they do not have a way to make a profit. Other companies have decided to rent from them as it is cheaper to rent from this shared office company than to lease the space themselves. That shows just how bad their business model is. Similarly, some shared ride and house

renting companies don’t have a clear path to making a profit.

For those of us with memories, these remind us of the Savings and Loan crisis of the 1980’s. Both are cases of being caught between long term and short term. Back then, it was

long term mortgages against short term borrowing rates. The concept assumes that there won’t be any market disruptions or major upheavals.

At some point, the party will end.

Can their party harm others? Of course, others will be harmed. It all depends on how big of a party as to how many will be harmed. There is a tipping point where a party goes from being a nuisance down the block to something affecting everyone.

Our economy has been “goosed” by massive federal borrowing and spending. When will that party end? If we were to follow the example of those business people and simply attempt to declare bankruptcy, that would destroy the global economic order guaranteeing a multi-decade depression.

It isn’t right to ask someone else to pay for our party.

A Party Can End With A Hangover

Character Counts

What is most important in business? A while back, the motto was “Greed is Good.” And we were left empty both in spirit and in wallet as the market crashed. To reclaim what is noble in business, we have to go back to first principles and acknowledge that there are higher values than making a lot of money. Living by values develops character and our character counts.

In many situations, we need to decide who we want to do business with, who we hire, and who we do not want to do business with. Character counts. Honest people are a lot nicer to work with and wind up being more profitable to deal with. It is time to look at who we want to deal with and who we want to be.

The first principle of character is honesty. We can see the effects all around us of people who are not honest. We see the shredding of trust in businesses. We see how some companies self-destruct through deceptive practices, selling bad products, and not dealing honestly with customers when they mess up.

We take risks in business, but expanding risks when something went bad often will trap us in a worse situation. It is hard to simply take the hit and work through the economic times by doing the right thing over and over again.

Even if we have the goal of “rigorous honesty”, we have to recognize that we have not always been honest. We don’t live up to our ideals. However, we can acknowledge that we have fallen short and try to do better. We can also change who we deal with. Each day, we have the choice of trying to be better or settling for far less or even deciding that others don’t count and using them. The daily struggle to be better is how we connect with our true values and develop character.

Let us strive for character.

Risky World

The phone based Covid-19 tracking apps are not perfect. A Scottish tracking app told someone that he needed to self-isolate – because he had come too close to his downstairs neighbor when walking on top of where his neighbor was. The app didn’t account for the floor between them.

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