

Lessons from history:

Managing a financial crisis

By Patrice Lewis

Shortly after we got married in 1990, my husband and I bought an old house (built around 1874) on four acres. It was, to put it charitably, a fixer-upper. In 1996, we scraped together enough money for a desperately needed re-roofing.

During the project, the roofer kept finding nailed-down ends of old tin cans used as makeshift replacement shingles in years gone by. We had a good chuckle over them at the time, but those tin shingles represented both ingenuity and a frugal solution to an immediate problem. Keep these tin shingles in mind for a few minutes.

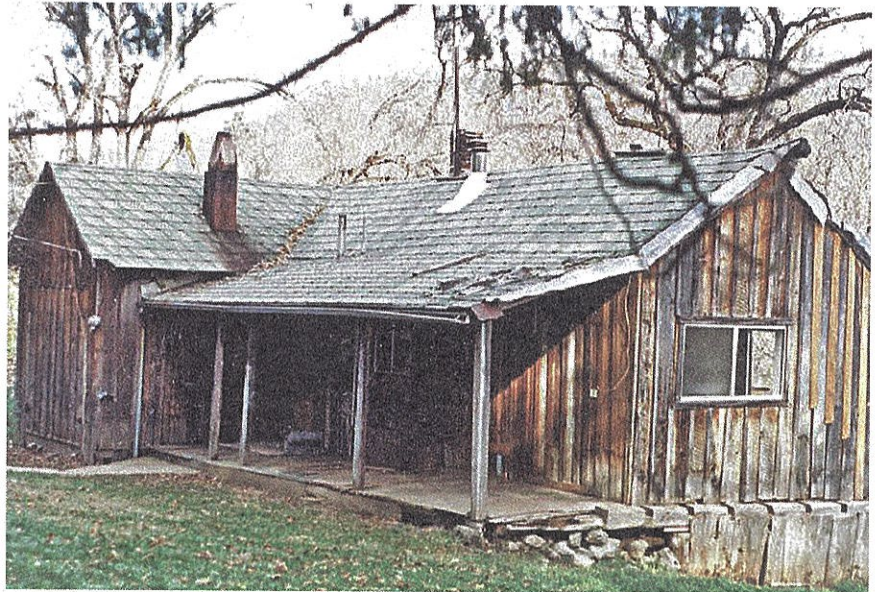
Recently, *Backwoods Home Magazine* received a letter to the editor as follows: "I would like to see an article relating to 'How to survive during this recession,' providing a comprehensive list of easing the financial burden by looking back to how our ancestors managed with little money."

Short answer: tin shingles.

Long answer: Sadly, collapsed economies are nothing new. Yet most people survive. These survivors usually go through traumatizing and life-altering experiences, yet they make it through. How? What tips, tricks, and techniques did they learn through the crucible of their misery to emerge at the other end intact? That's what this article will examine.

Differences between then and now

While examining historical precedents is useful, it's worth pointing out several major differences between then and now.



Our old house in Oregon, built around 1874



Homeless tents are the new "Hoovervilles."



Having diverse skill sets means being able to build or fix many things.



Buying materials ahead, in this case a good deal on lumber, is better than money in the bank.



Using existing materials for new projects — these will become raised garden beds.

- Debt is much more a part of modern society than before: credit card debt, student loan debt, auto loan debt, mortgage debt, etc. It's easy to advise avoiding debt altogether, but it may be too late for many.

- The income-to-housing ratio is way out of kilter. Gone are the days when newly married couples could buy a modest starter home, then settle into a lifestyle in which one parent raised the children while the other worked at a middle-class factory job.

- The ratio of urban-to-rural people is vastly different. In 1920, about 13 percent of Americans lived on farms. Today, that number is less than one percent (0.9 percent, actually). That one percent feeds the other 99 percent. Additionally, farmers a hundred years ago were not as dependent on technology and fuels. Today, modern farming is dominated by mega-corporations and is all but impossible without diesel to power the machinery.

- Drugs are terrifyingly dangerous, abundant, and cheap. When you look at the tragic number of homeless people in many cities, the vast majority are addicted. Drugs have ruined the lives and health of millions.

With these differences in mind, let's take a look at history. The potentially bleak economic future that concerns many of us has happened many times before. Nations as diverse as Venezuela, Zimbabwe, and Germany have faced hyperinflation and the collapse of their economies. How did people survive? Or, as I like to ask, if people in 1929 knew in advance the Great Depression was coming, what could they have done to get ready?

(Obligatory disclaimer: I am not a financial advisor. The following is for informational purposes only.)

Accepting reality — and then doing whatever you can to cope — is difficult, but necessary. If times get tough, it is very likely there isn't anything you can do about it on the national or international level.

Lessons from the Great Depression

In America, the most devastating economic event in the last century was the Great Depression, still within living memory. My mother (who is currently 91 years old) was born in 1931 into the direst poverty in the Louisiana Bayous, and I grew up listening to stories of her family's struggles. Anyone who lived through that decade was changed forever.

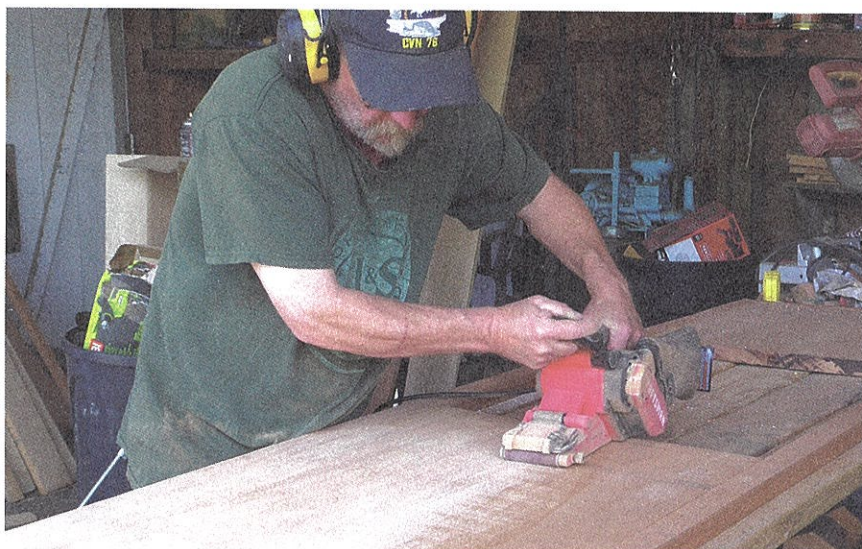
The Great Depression affected nearly everyone, some more than others. Those that survived had a few things in common.

Mental adjustment. The one key ingredient that allows people to make it through nearly any crisis, including economic, is this: *the ability to accept the scenario.*

Denial is more than a river in Egypt. It's a mental condition that frequently dooms anyone involved in a disastrous situation, including financial. People who think, "This can't be real. This is what happens to other people. It's not happening to me." — are often the ones who don't make it, because their denial paralyzes them into immobility and/or causes them to make poor decisions.

The Roaring 20s was a time of vast economic prosperity. When the Great Depression hit, many people were simply not equipped to handle the contrast. However, those who endured tended to develop an attitude similar to that of "stoicism," which is the school of philosophy that separates emotions from events, especially events beyond our control. For people of faith, the Serenity Prayer contains much the same philosophy: "God, grant me the serenity to accept the things I cannot change, courage to change the things I can, and wisdom to know the difference."

Diverse skills sets. People who could turn their hands to a wide variety of tasks — plumbing, carpentry, sewing, welding, gardening, food preservation, mechanics, etc. — had



Even outside a financial crisis, doing projects yourself will save you money.



Tools and the skills to use them are critical.

more opportunities than those with one specialized skill, especially if that specialized skill was only needed during times of affluence.

Bonds of family and friendship. Quite simply, few people can go it alone. During the Great Depression, people often were compelled to join forces — multi-generational homes, neighbors helping neighbors, unbreakable marriages. In hindsight, people look back at these bonds with nostalgia; but make no mistake, forging or maintaining these bonds wasn't

always easy. My mother's parents had a bitterly unstable and destructive marriage filled with abuse of every kind; they had no choice but to stick it out. For this reason, it's best to cultivate strong and affectionate bonds now rather than later.

The Great Depression was characterized by "Hooverilles" where otherwise homeless people clustered in ramshackle shacks. There were very few safety nets in place. These people became squatters, tent dwellers, and nomads. Multi-family living arrange-



Fruit trees are an excellent investment.



Cooking from scratch is more economical than purchasing pre-made meal items.

ments may become far more common as people are forced to join together.

Rural lifestyle. By many accounts, the Great Depression was essentially a city problem. The effects, while real, were primarily documented by urban journalists who chronicled the dramatic and tragic events of that decade.

By contrast, many rural people — at least, in areas not impacted by natural disasters — got by because they were, well, rural. This isn't to imply they didn't live in grinding poverty; but since that was the norm rather than the exception, not much changed. Rural people had more food resources available, everything from gardens

to fruit trees to chickens to wild game. Additionally, most rural people were already black belts in frugality. They had no choice. It's how my mother's parents survived. It's why we found tin shingles on our old house.

Many readers of this magazine already live a rural lifestyle, and can attest to the difference it makes in being able to grow or raise much of their food and cut firewood for warmth. But such a journey doesn't always come easily or quickly. Self-reliance is a learning curve. It takes time to develop a piece of land into something that will provide for your physical needs. If you haven't already, my advice is to get started *now*.

Frugality. The mantra of the Great Depression was "Use it up, wear it out, make it do, or do without." This testimony to frugality was born of need and flourished in practice.

Today, people are so used to living a comfortable life with all the modern conveniences that it's hard to imagine life without them. Things like indoor plumbing and push-button heating were unknown in times past. Ditto with discretionary income. The standard budgets for people in hard times did not include dining out or purchasing the latest smartphone.

My suggestion is to cultivate the art of frugality *now*, before you're forced to by circumstance. Shopping in thrift stores, cooking from scratch, and cultivating do-it-yourself skills are just a few things that come to mind. There is an entire category of "Depression-era recipes," utilizing cheap and abundant ingredients in creative and unorthodox ways. French toast is the classic example. People learned to eat as inexpensively as possible.

Avoid debt. This is often more easily said than done, but it will simplify things drastically if you can avoid or get out of debt.

We leaped out of the city back in 1992, leaving behind two well-paying jobs, and launched ourselves blind into rural living. As a result, we got

into credit card debt, simply because we were desperately hanging on by our fingertips. It took us years to climb out of the abyss, and as a result I have something near a pathological fear of owing money.

Whatever debt you have now, your best bet is not to add to it by piling on more. That means avoiding the use of credit cards, even if you're using those credit cards for necessary purchases such as food or utilities. Find some other way, because the alternative is worse: Debt *always* comes due, with interest.

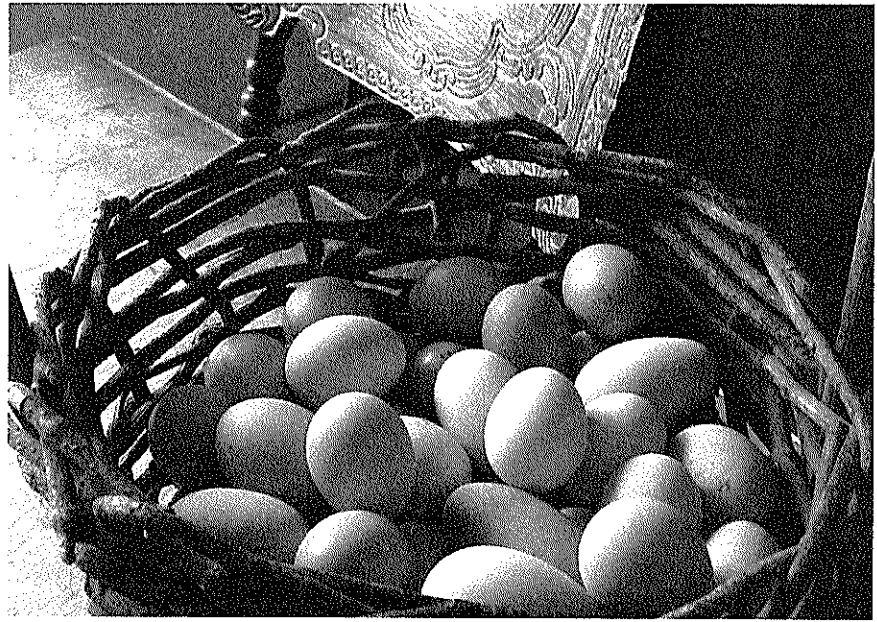
Getting out of debt may involve some unpleasant decisions, up to and including selling assets — cars, valuables, even one's home. It might be best to address your debt now, while you have some wiggle room, before you're forced into debt reduction against your will.

Reduce living expenses. When times are tough, people have two choices: Earn more or spend less. Both work; but if earning more isn't an option, your only other choice is spending less. This is another "easier said than done" piece of advice, but it's vital.

Expenses can be divvied into two categories: fixed and variable. Variable expenses — food, clothing, and restaurant meals — are easiest to trim. Fixed expenses — mortgage payments, car payments, and insurance — are often much more costly as well as harder to address.

If things get really tough, those fixed expenses will have to be trimmed with a vengeance, and sometimes in ways you won't like. You might have to sell your car (with its monthly payments) and buy a beater for cash. You might have to move in with relatives and pay a lower amount in rent. This is the brutal outside-the-box thinking you'll need to consider in the case of an economic depression.

Tangibles. In an environment where currency loses its value, holding onto cash is not recommended.



Homestead eggs, a cheap and abundant resource



Resilience in the face of adversity is an enormous survival skill.

Instead, experts recommend tangibles. Quite simply, tangibles are something you can touch or hold in your hands. Precious metals are the most common recommendation (especially by those in the business of selling them); but as the saying goes, you can't eat gold or silver. Instead, think in terms of what will benefit you during hard times — land, food, livestock, firewood, tools and equipment, etc.

Purchase ahead. If you have the funds and the room (don't use cred-

it!), consider purchasing necessities ahead of time. Last year, Forbes had an article on coping with hyperinflation, which included this advice: "During hyperinflation, every day your money goes unspent, you're losing some of it. Once purchasing power evaporates, it's gone for good. You're better off proceeding with major purchases sooner rather than later in hyperinflation because if you don't, those items will become more unattainable over time. ... Ultimately,

you can't really fight hyperinflation; the best you can do is adapt and avoid its effects as much as possible."

In times of economic hardship, if you have a stash of goods that are helpful to your survival, you're in better shape than those who don't. Needless to say, these purchases should be tangibles. I won't cover all the "prepper" supplies you're "supposed" to have; you know better than anyone else what your family requires. But just remember, things aren't likely to get any cheaper.

Creativity. The tin shingles on our old house is an example of desperation turned into creativity. Faced with a problem (leaking roof) and a resource (tin cans), previous owners didn't hesitate to apply the latter to the former.

This kind of outside-the-box thinking blossoms during hard times — not because people are enthusiastic, but because they're desperate. But

hey, if it works, it works. Being able to "MacGyver" your way through a problem is an admirable skill that should be encouraged and cultivated.

Develop a barter strategy. Barter is always mentioned as the go-to solution for an economic depression, but the fact is, you must have something worth bartering. This could be a skill or an item. Can you make shoes, set a broken bone, raise beef, make cheese, fix a car, knit socks, fill a cavity? ... you get the idea. During times of great economic stress, not many people are going to want to trade for crafts or jewelry; they're going to want to trade for what they actually need.

Conclusion

Obviously no one knows what the future may bring, and many signs indicate we may be entering unknown territory on a global scale. There are so many factors affecting

food, energy, and financial security that it's hard to know where to start. But one thing you can do is *accept the scenario*.

It's best to work on the assumption the government won't save you. It's far better to look for yourself, your family, neighbors, and community (in that order) to meet needs. It goes without saying that you should give as well as take; reciprocal arrangements work for everyone.

Keep in mind bad times don't last forever. They may last a long time, yes; and any stretch of hard times will leave a psychic scar on people and result in many changes to the country (some good, some bad); but the hardships won't last forever. Your job is to survive — by whatever means possible — until those hard times end.

Remember those tin shingles. They were a symbol of survival. Δ

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