



# ***CHIEF'S FILE CABINET***

***Ronny J. Coleman***

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## This Too Shall Pass

It is very difficult to open up a newspaper or to turn on your television set without hearing stories about economic woes. My question to you in this month's column is, did you see it coming? Which is followed up by an instant question of what are you going to do about it?

I would expect to hear from some of you that you didn't see it coming or otherwise it wouldn't have had such a negative impact on the fire service. Unfortunately, economics is rarely discussed in the fire science curriculum, and to a very large degree, we in the fire service do not feel that we have much to say about the economy. Let us address the warning signs first. Should we have expected a downturn in the economy? If you are a student of history, you may have already known that the very first financial crisis this country faced was in 1797. The fire service was still in its infancy and was almost entirely volunteer at that time so I doubt anybody noticed. However, there was another depression in 1807 followed by a series of financial panics all the way up to the panic of 1857. At that point, the failure of the Ohio Life Insurance and Trust Company burst a speculation bubble involving the United States Railroads and caused a loss of confidence in American banks. Over 5,000 businesses failed within the first year of the panic. If you start tracking recessions and depressions, they occur with an amazing cycle of repetition. Yet, in 1852, we started our first paid fire department.

Over that period, as the paid fire service became a reality, it was unlikely that most fire chiefs considered themselves very concerned about the overall economy. Then, the great depression occurred. The United States recovered. Then there was another recession in 1937. Another in 1945 – and then they began to cycle in and out of existence up to today.

I once read a joke that said that a recession was when your friend loses his job and a depression is when you lose yours. Reality is that economy and the subsequent amount of money given to government have occurred many times throughout history. In addition, while they bring about fear and uncertainty they are actually part of the economic cycle.

As I was researching for this column, I actually found out I was hired during a recession. The recession started in 1960 and lasted 10 months. Unemployment reached as peak of 7.1 percent in May of 61 yet that is when I found my job as a wildland firefighter.

The growth of our economy rests upon the balance between the production and consumption of goods and services. As the economy grows, so does income and consumer spending. Economics 101 requires that we, as fire chiefs, need to be as concerned about the national, state and regional economy as anyone else is. The world is not perfect. Economic crises will continue to occur from anything and everything. It could be as simple as over supply where producers manufacture too many goods to be



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consumed. Demands drop, incomes drop.

Here is my point. We should not only be aware of this cycle but also understand our role in being part of that cycle. We need to embrace the idea that a recession can occur and understand the reasons why it can occur. We need to know the definition of depression and need to understand what role the gross domestic product (GDP) play in our local economy. Our job is to protect that economy from losses created by fires that could have been prevented.

We can learn from history by going back and looking at the positives and negatives on how these economic conditions influenced our profession. First, let us talk about negatives. My research indicates that there are at least five impacts of economic downturn that could affect us. They are:

1. Rising unemployment amongst the private sector
2. Reduction in tax bases
3. Fear
4. Sinking values for services
5. Loss of confidence

On the other hand, economists believe that there are a similar number of positives:

1. Getting rid of excess
2. Balancing economic growth
3. Creating buying opportunities
4. Changing consumer attitudes

In addition, I will add a 5<sup>th</sup>, opportunity to bring about change.

There are a relatively large number of people in the fire service today who are looking at our economic downturn as if it were the first time it ever occurred. The problem with longevity is that you have the opportunity to witness these cycles repeatedly. I recall when Prop 13 in California was heralded as the end of the fire service as we knew it. That didn't happen. But, I will tell you what did.

That same era saw the creation of alternative funding measures for fire protection including infrastructure fees. It saw an increase and emphasis on regionalization and emphasis on productivity and accountability. Lastly, it is my belief that Prop 13 shifted the burden of fire protection from the business and industry onto the shoulders of the single family and multi-family dwelling. That has had an impact on what the consumer (those who call upon us for service) has perceived to be part of the growing concern over funding of local government services.



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In the final analysis the economic downturn will result in resetting community expectations. We should be ready with answers as to why the fire service should be adequately funded to meet community expectations in the future. I know it is a vicious cycle but as long as the fire service is part of government, it is a cycle we can anticipate and should be better prepared to deal with than we are today.