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BigBuilder ONLINE

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Warren Buffett says there's no credit crunch. What about you? In fact, it would take quite the Doubting Thomas even to ask for good evidence that the Oracle of Omaha and his interests will expand through and after the current economic downturn. His assertion that there's plenty of liquidity to be found in the global financial markets may be factual, but not true for most people. Still, it's important somebody like Buffett makes so bold a statement, partly because, thus far, the Fed leadership has failed to demonstrably set us all straight on that point. Actually, Buffett's statement may not describe normal mortal business executives', investors', and home buyers' access to capital. If most banks' executives are afraid to lend the money they have at increasingly cheap interest rates, as is clear from the most recent national survey of loan officers, then that money effectively is locked out of the market. Borrowers of all stripes—business and consumer—take the full brunt of how that fear works in the market.

One of our other smart billionaire investors, Wilber Ross, explains: "Liquidity is a state of mind. It's a psychological phenomenon." I'd wager that while many of us grasp the role of psychology in real estate buying, selling, prices, and values, few would have guessed that liquidity itself would also be prone to the ebb and flow of fear and confidence, or of risk and denial of risk. It's an eye-opener. Knowing there's plenty of money out there, somewhere, must evoke a modicum of confidence that the economic master plan is still fundamentally healthy. The fact that one can't put one's hands on that bounty right now because of the mounting number of blowups in the complex of lending only serves to remind us of how careful we should be the next time things cycle to the superlatively positive.

This week, amid an environment that likely will continue to witness economists' tedious debate about whether the nation has already drifted or will soon slip into an economic recession, the market home builders all loved to hate, the International Builders Show, takes place in Orlando. In every booth, in every hospitality suite, in every breakfast meeting, and every night cap, the predominant thought in each show attendee's mind will be that now most fragile of social and economic phenomena: home buyer psychology.

At this time of year, for as many years as many can remember before 2007, the coming Spring would mean shortages of labor, rations of materials arriving to the job sites, never enough salespeople to take all the orders, a surfeit of work, and not enough worker-bees.

Now there's two key jobs—and both of them will take a skill and innovation level that have not exactly characterized the business until now. One is to figure out the smartest way to obtain as much value in as many transactions as possible. When psychology's the barrier, nothing but full-service oriented sales will kickstart scaling it. The other is to figure out how never to get in this fix again. Seriously, this time. The model is broken, and frenzied bidding wars for lots is probably a practice home builders should stay far away from.

What are the other learnings? What can occur now that reflects a genuine conviction that "we'll never let this happen again." We'll be on the ground here in Orlando, looking for signs of how our community will be approaching those two key jobs... and we'll let you know what we hear.