

Tarp & Stress Tests



It's hard to pick up any newspaper or listen to any news without hearing something new about the so-called "TARP" program. This program has people with both positive and negative feelings about its long term effects and consequences, but as it is implemented, it is providing some interesting problem solving analogies.

I have told innumerable audiences that there are no new problems, just new ways to apply old problem solving principles. We so often use fancy words, special industry jargon, and acronyms to make our problem seem special and unique. Though TRIZ itself has progressed beyond a simple contradiction table and into algorithms and software, it is difficult to find a problem solution that cannot be mapped closely to one these original 39 problem parameters. It's also difficult to find a problem that cannot be mapped against the 40 original (60 year old!) inventive principles.

Those of you who have any kind of history of heart problems probably go through a stress test on some kind of regularity. For those of you not familiar with this test, you are injected with a radioactive dye, and then after a waiting period, are asked to walk/run on a tread mill at an increasing rate of speed while pictures are taken of your blood circulation. These pictures show the degree of "openness" of your circulatory system and assist the cardiologist in determining if additional arterial blockage has occurred and whether your condition is stable, medication is working, etc.

If any of you saw the news channels yesterday and today, you saw the same exact principle being applied to the decision as to whether banks could return the TARP ("Toxic Asset Relief Program") money recently given/loaned to them. (Personal note: a "tarp" is normally a covering that we put over something so that we can't see it!). This has generated interesting discussions about government control when several mid-sized banks attempted to return the money yesterday and were told they would not be permitted to do so as the government agencies were going to run "stress tests". This basically is taking some worst case assumptions about the economy and their deposits and making sure that they could survive without the TARP money.

It's the same concept, isn't it? In the physical stress test, we force the circulatory system to work beyond its normal range and see if it can handle the stress without collapsing. In fact, to make the fact that business schools and Wall Street brokers haven't discovered anything new, get out your Altshuller original contradiction table, take a look at the contradiction of trying to improve "loss of substance" (money??) vs. stress or pressure and you'll find several suggested principles, among which are:

1. Local quality (isolate a bank failure before it affects an entire system)
2. Thermal expansion (add more deposits)
3. Preliminary action (deposit insurance or government banking)
4. Phase transitions (these are energy absorbing changes--just like mergers and acquisitions of weaker banks by strong banks)

I apologize to the Harvard Business School for eliminating the need for a semester course, as well to the many Bush and Obama treasury officials for saving some taxpayer money.