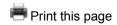
Tulsa World 1/14/10 10:40 AM





## Solid economic recovery a long way off

by: HENRY MIGLIORE Business Viewpoint Thursday, January 14, 2010 1/14/2010 9:47:17 AM

After being mired for two years in the deepest downturn since the Great Depression, the question is when the economy will turn around.

Recent headlines present an interesting paradox of optimism and pessimism.

Let's look at the facts. What we can forecast based on history is approximately when an extreme downturn will come. There have been nine depressions spaced about 60 years apart since the 16th century. The waves in the United States have been 57, 54, and 53 years apart between the years 1836-1843, 1893-1897 and 1929-1942, respectively.

There have been 11 economic recessions since the end of World War II. The worst of those was in the early 1980s.

The current recession started in December 2007 with a 53.78 percent drop in the Dow Jones industrial average from Oct. 9, 2007 (14,154), to March 9, 2009 (6,547).

It's not so easy, however, to foresee recoveries based on history and analysis. But I would suggest that for now, about 25 months into the downturn, we're looking at a minimum of three to a maximum of 13 more years of recession.

Mohamed El-Erian, CEO of giant bond manager Pimco, recently said people are fooling themselves if they think all the bullish data of late means a strong recovery is in the offing. El-Erian says many of the bulls don't appreciate just how much the government props-ups are masking the economy's weakness. Instead of focusing on the fundamentals today, he says, they're looking to the past, expecting a quick rebound because that's what happened before.

Based on the facts, I would say the recession could end around 2013 or 2014. Since 1900, investors have enjoyed four secular (an extended period, usually about 10 years) bull markets and four secular bear markets. Currently, the market is in the early phase of the next bear market.

As a result, many people are inclined to think of the Dow's declines from the spring of 2000 to the fall of 2002 as having been sufficient to take care of bear market business. But while the declines served to undo the excess of the late 1990s, the market has not reached the lower valuations that have characterized bottoms.

Historically bull markets have run as long as 24 years and as short as four years. On average, they have lasted 13.5 years.

Don't be fooled by the 2009 rally. After the 1929 crash, there was a 48 percent rally. From the high, though, the Dow's loss was still 89 percent.

I believe we will soon have a dramatic downward spiral — as early as this spring.

The midsummer 2008 stimulus package, to the tune of \$168 billion with unemployment at 4.8 percent, was a bust. The second stimulus plan, at \$787 billion, has not helped, either.

Economics professors Barry Eichengreen and Kevin H. O'Rourke compare today's global crisis to the Great Depression, even going as far as saying that globally we are tracking or even doing worse than that famous crisis. Other economists are predicting we could get the sharp contraction of the 1982 recession with the jobless recovery that came after the 1991 downturn.

Tulsa World 1/14/10 10:40 AM

Some observers have described what they think President Barack Obama can learn from Franklin D. Roosevelt. Amity Shlaes, a syndicated columnist for Bloomberg News and a senior fellow at the Council on Foreign Relations, noted that Roosevelt's "New Deal" spending actually produced little economic stimulus in the short run.

"Some of his policies actually delayed the recovery for years," Shlaes wrote.

Others also have warned that government interference of free enterprise damages the economy.

The bottom line is that such efforts didn't work in the Great Depression and will not work now. Stimulus spending has taken the Dow to as high as 10,700 this week. Now we are set for the big hit — my guess a 7,000 Dow.

R. Henry Migliore is president of Managing for Success, an international consulting company. He also has held positions at Northeastern State University/Oklahoma State University-Tulsa and the Oral Roberts University School of Business.

The views expressed here are those of the author and not necessarily the Tulsa World. To inquire about writing a Business Viewpoint column, e-mail a short outline of the article to Business Editor John Stancavage at john.stancavage@tulsaworld.com. The column should focus on a business trend; the outlook for the city, state or an industry; or a topic of interest in an area of the writer's expertise.

## **Associate Images:**

Tulsa World 1/14/10 10:40 AM



Copyright © 2010, World Publishing Co. All rights reserved

Return to Story