

I postulate man via the free market concept can not eliminate the 72yr cyclical trend and the next goal is to reduce the amount of decline. Such an endeavor may not be off to the best start as history did repeat for the NASDAQ 100 by 2002 with a decline of 85% for same cyclical trend but from earlier top than the Dow index. History repeated during 2008 with the Bank of New York Russia index down 80% and a US Real Estate index down more than 70%. I believe the more important goal should now be to ensure the economy does not contract as severe as a -80% stock index performance implies.

The models forecast a 72yr business cycle bottom for 2008 to 2012. At the start of this decade it was assumed highest probability for a bottom was 2012. In recent years this has shifted forward to 2010 and with an increase for 2008 to 2009. A 72 yr top was placed in 2007 which was the earliest allowed for a peak and difficult to time when the earliest or latest. The amount of decline normally projected would be 70% to 90% for the major stock indexes (Dow) but with recent research I find the 1932 low was more important than the 72 year trend and so the market and or economy should not be so severe this time around. With this information I include the performance of the next lower cycle (36yr) and this widens the objective range to 40% to 90% and with preference for not achieving the 70% to 90% range for the Dow index. This can only be achieved by the effort of man.

A shorter long term model opinion offers a 3yr business cycle bottom now for the Dow and chance for recovery into early 2010 and of 25% to 45% increase perhaps more if the 72yr bottoms now. If the Dow is of high correlation to the 1930s this specific trend will not live up to its 80%+ analytical accuracy or rate of effectiveness but could still trend a sizable amount higher but with smaller duration of time. So important lows must be viewed as risk points the next 12 to 24 months.

Time to revise capitalism.

Free market capitalists will usually state businesses should be allowed to fail. A common statement is “gets rid of the bad blood”. My opinion is that free market capitalism is far from perfect and during down turns “also gets rid of good blood as expense to get rid of the bad”. I think during decadal recessions this expense may be acceptable but not during times of or for depression. In short I am a free market capitalist but believe the system breaks down from time to time. The system does not work on a consistent basis. Schumpeter had stated he felt eventually capitalism would self destruct.

With today's far more diverse global and domestic economies and related financial structure I feel the business cycle models are correct that we are at a time to rewrite statistical performance of such economic trends and for the better but only from our effort. I part company of those who want poor businesses to fail as they are either ignorant or in denial of the risk in hand. They will cry for help louder than others when their number is up.

It will be difficult to please most US citizens with bailout concepts in that US citizens have always over reacted to the term socialism. We must convince opponents of economic bailout that it is not socialism. The best method of doing this is to ensure it is not a welfare program but an investment and that taxpayers can have equity. This is an important aspect and does make such efforts to be an investment for ourself to make up for the inadequacy of standard business and banking. With this aspect the government becomes business that will later return to the private sector and can reap many benefits.

Recommendation to the the US citizen-

- Government should be prepared to take over businesses as well as to provide loans for equity but only related to right to monitor management and to hold equity for the taxpayer with potential for gain.
- New businesses should be created to reduce unemployment with intention said businesses will be sold to the employees or private businesses or to the public via stocks and bonds.
- US transportation infrastructure should be upgraded, rebuilt and expanded. Railroads are most efficient and should be seriously considered for expansion if from no more than an energy perspective. Roads and bridges need an upgrade.
- Electric grid needs to be upgraded.
- Alternative energy efforts need to continue if no more than for energy security. I prefer the Pickens plan at this time. Research and development of alternative energy will reap more than a result for energy in that non energy products or scientific concepts can be an added bonus.
- Home foreclosures should be stopped. In a recession it is may be acceptable to show no remorse toward foreclosure but not during a depression. It only adds to the economic damage and increases social damage which can lead to revolt and socialism. Better to have some one at least pay rent to a financier than to kick them out into the street.
- Do not fight inflation in a major way. Do not fight high commodity prices as prices translate back to producers which translates to jobs and business. In short a low price or value of anything is a bad thing. Cheap should be a dirty word.
- Continue with low rates even if taking the 10yr Tnote or 30yr bond to zero.
- Continue to a be a part of G7 and G20 banking actions.

With the right amount of effort.

Recent research suggests a 216yr business cycle trend. In commodities such as corn and wheat there is such a trend that relates to a 100 year bull market. For stocks it seems the bull trend can last as long as 160 years. The current forecast is the trend is up from 1932 into the 2060s to 2070s peaking with the next 72 yr top.

Without a retooling of the nation's economy and capitalism the trend for the next 30 years could be as little as 6% annual appreciation from the bottom versus performance of previous similar trends of 25% to 60% appreciation. This would be pathetic performance. In contrast an aggressive attack on the recession/depression now into 2010 should lead to reward for decades to come even for a revisit of 25%+ returns. There is even chance for 100,000 to 300,000 Dow. And this versus only 20,500 Dow by 2041. The difference is huge and will impact generations to come. The hour glass has run out and it is time to reset it rather than ignore it or wait for some else to reset.

The models suggest a rebound for 2009 for stocks. A trend following indicator of a famous economic indicator suggests the economy peaked in February 2008. Recessions last 12 to 40 months from such a peak and most were around 18 to 25 months. A cyclical model of this indicator forecasts a bottom in March to May of 2009. Stocks should turn to a futuristic market and trend higher ahead of the indicator turn. We must be careful to not be lulled by a recovery in 2009 as it could be a correction within larger recession or depression trend and for larger bear market for stocks. We need to work aggressively into 2010 to kill this bear! I can not stress more that an investment today of this magnitude will reap return for decades to come and for generations of US citizens.

For commodities the depression cycle of 72 years was complete by 2005. Commodities do not deserve to be as low priced as stocks nor as low price relative the state of the economy. So commodities are extremely under valued and no good can come from future price decline. We must ensure adequate dispersal of macro economic dollars to all economic micro sectors for a balanced and more sustainable recovery. So we should not rob a sector like commodities to support another sector. We should pump new cash into the other sector.

Real estate was forecast by the models to peak during 2006 to 2009. A large decline was forecast. A chart of a REIT index shows a peak in 2007 and a decline of 62%. Another index shows a decline of 70%. The models had warned there was chance for a mania and therefore bubble in that these indexes were due for more important bottoms like that of stocks and so the bull market for this decade was to be erased. History repeated and the models were correct. The models now seek a similar bottom as stocks and next few years. An effort to save this sector should lead to slower but more sustainable rewards over the next 30 years.

The US has already done more to reduce cyclical depression impact than during any time in the history of this nation. We should not turn back now and should increase effort. We have the technology and the work ethic to rewrite history with much reward as the result. Current risk management is not working and in fact is lowering prices and stressing the economy. We need to take on more risk, expand and fight this economic down turn. We can add to the Phoenix legacy for sit around twiddling our thumbs and go broke. And with this cycle it is feasible for everyone to go broke and even lose democracy.

Past results are not necessarily indicative of future results.