50 Years - The Big Picture – A look at History

1970 to 1980 Market **Expansion**

- Gold Standard - Disintermediation
- Inflation

1980-3 **Recession**

- Federal Reserve – Changed 50 years of Monetary Policy.
- Money Supply Contracted. Interest Rates Climbed.

1983 to 1990 Market **Expansion**

- Banking, Retail Disintermediation
- 1981 “The Home Depot” went public
- 1985 “Costco” went public

1990-1 **Recession**

- Reg. Q - Systemic Banking Failure
- Kuwait War - Oil Prices Climbed.

1991 to 2000 Market **Expansion**

- First time in 219 years, Federal debt hit $5 Trillion
- 1986 Microsoft went public.
- 1989 the Internet was launched.

2001 **Recession**

- “Dot-Com Bubble” Popped

2001 to 2008 Market **Expansion**

- Monetary & Fiscal Expansion, Federal debt went up $5 Trillion
- Glass-Steagall Act Deregulation – Disintermediation
- Commodity Futures Modernization Act - Credit Default Swaps
- Manufacturing Disintermediation

2008-9 **Recession**

- Credit Default Swap Implosion
- Commercial & Residential RE Market Collapse

2009 to 2020 Market **Expansion**

- Monetary & Fiscal Expansion, Federal debt went up $14.56 Trillion
- Retirement, Pension Plan – Disintermediation
- Health Care Insurance - Disintermediation

2020 **Recession**

- COVID
- Post-Modern Revolution

2021 to 2024 Market **Expansion**

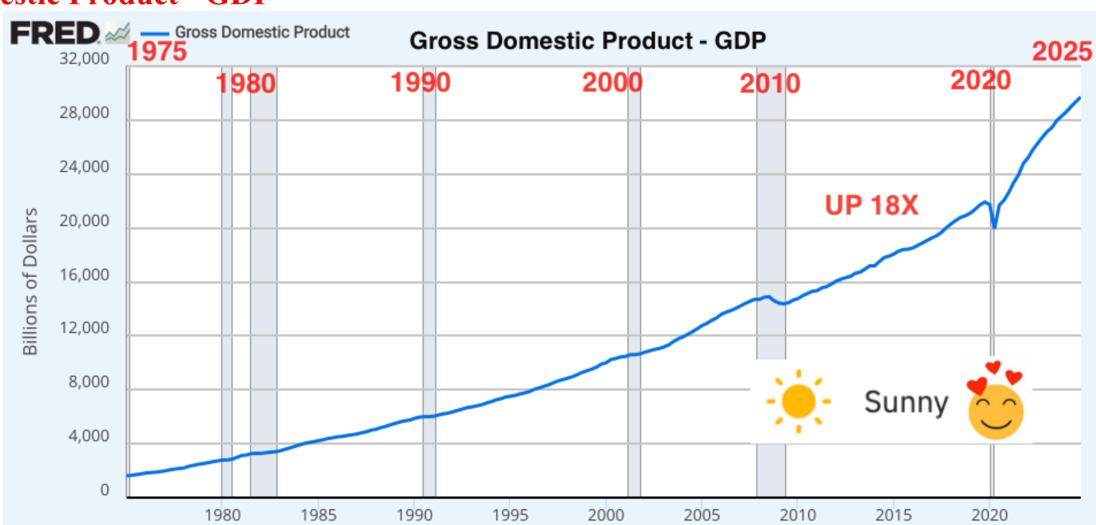
- Monetary & Fiscal Expansion, Federal debt went up $13.5 Trillion
- Office Space - Disintermediation
- Retail Space – Disintermediation
- Legacy Media - Disintermediation

50 Years - The Big Picture – A look at History

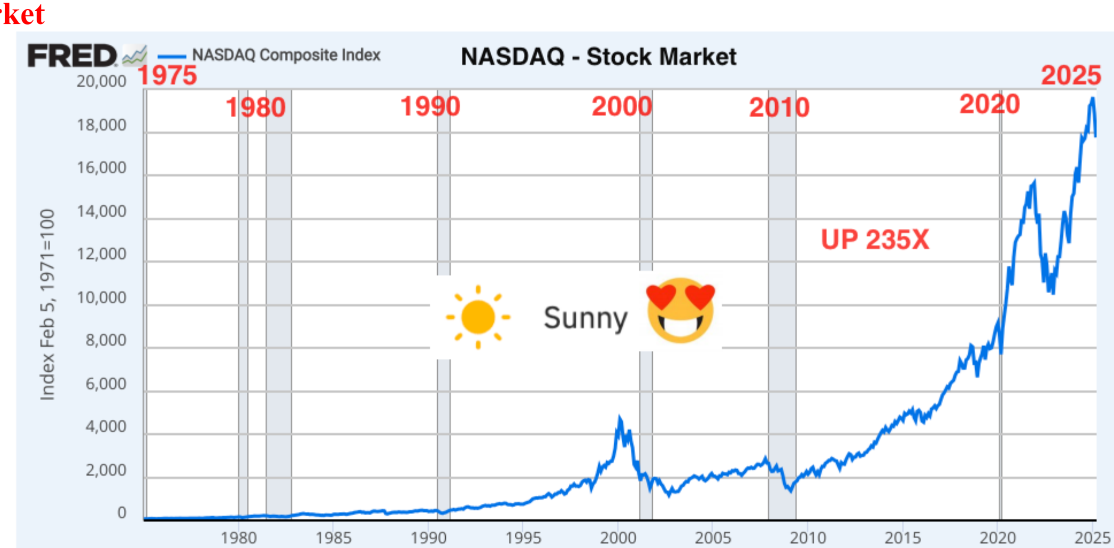
Establishing a Frame of Reference

GDP is a measure of the total value of goods and services produced within the United States. To get a frame of reference, historically GDP has grown approximately 3.21% per year between 1947 to 2024. That's over a 75year period, so it's a pretty good representative number. The average rate of inflation from 1914 to 2025 has been around 3.3%, so again that's a good representative number. At a 3.25% growth rate, that means prices will effectively double every 20 years. A house today at $400,000 would be expected to double in value over the next 20 to 22 years. Obviously, there are times when the market expands faster than that and time's when it doesn't. The S&P Case-Shiller U.S. National Home Price Index has doubled in the last 10 years from 2014 to 2024 so real estate has expanded a bit faster than historical averages. The NASDQ as a representative of the stock market has doubled in the just the last 4 years so it's significantly outpacing historical averages. Historically the stock market and the real estate market overall tend to revert to their mean or average growth rates over time.

Gross Domestic Product - GDP

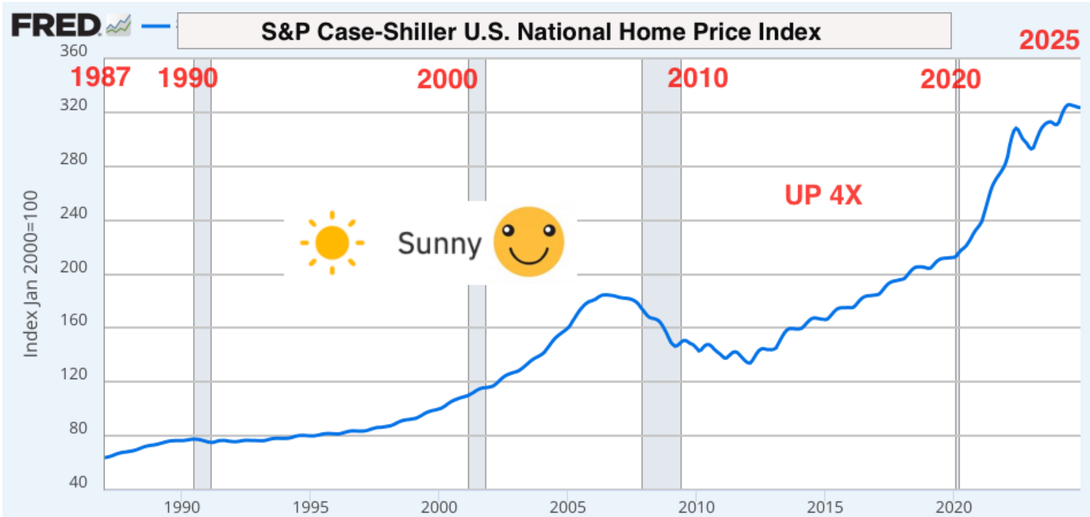


Stock Market

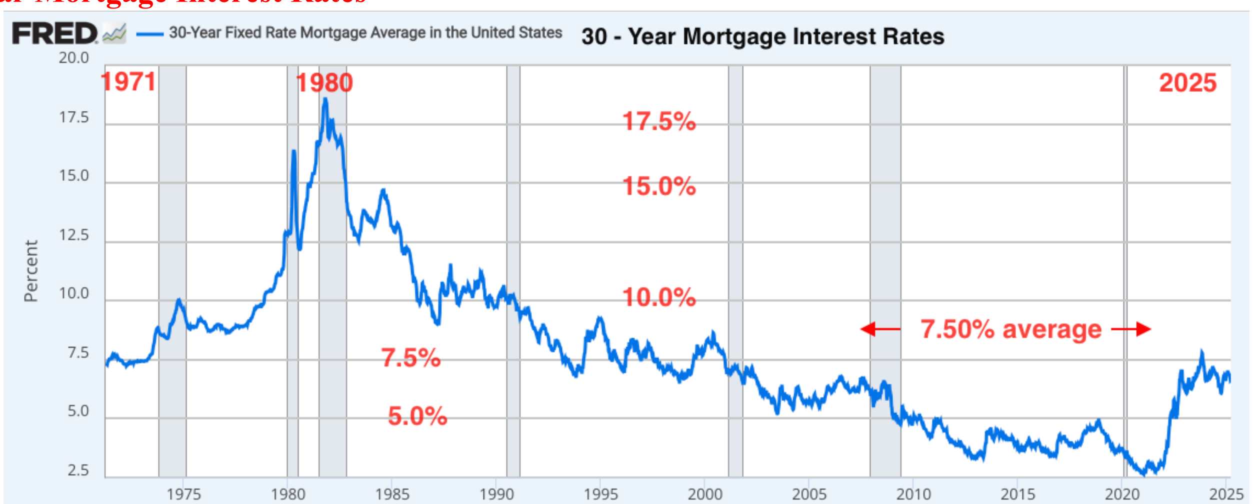


50 Years - The Big Picture – A look at History

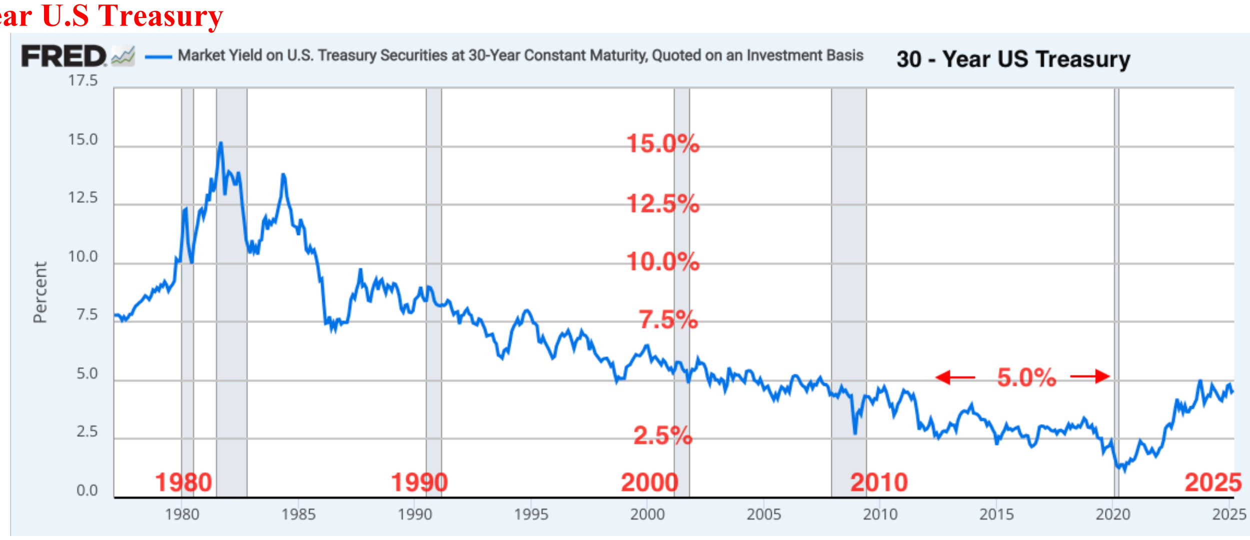
Real Estate



30 Year Mortgage Interest Rates

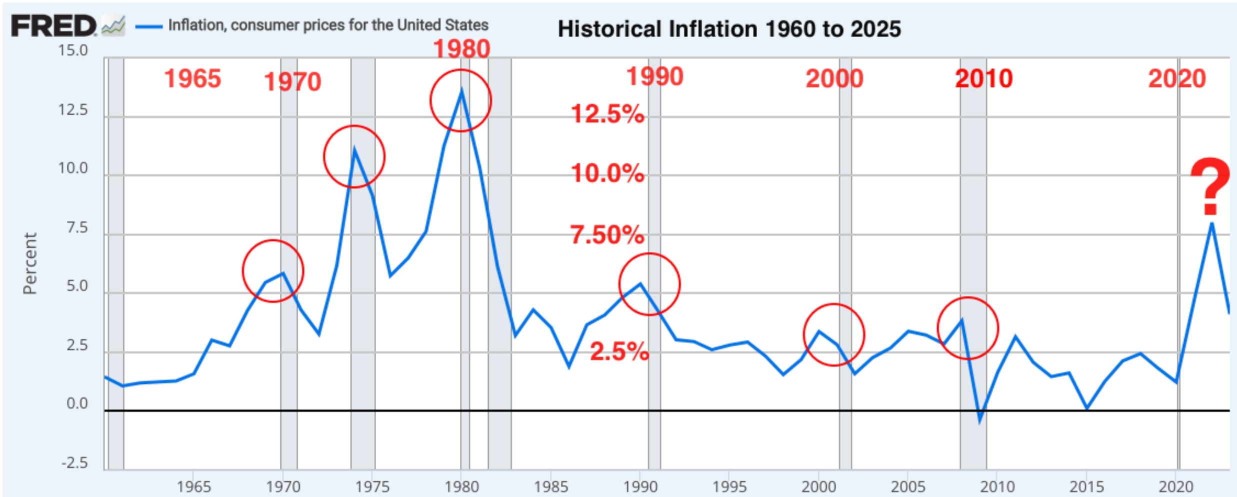


30 Year U.S Treasury



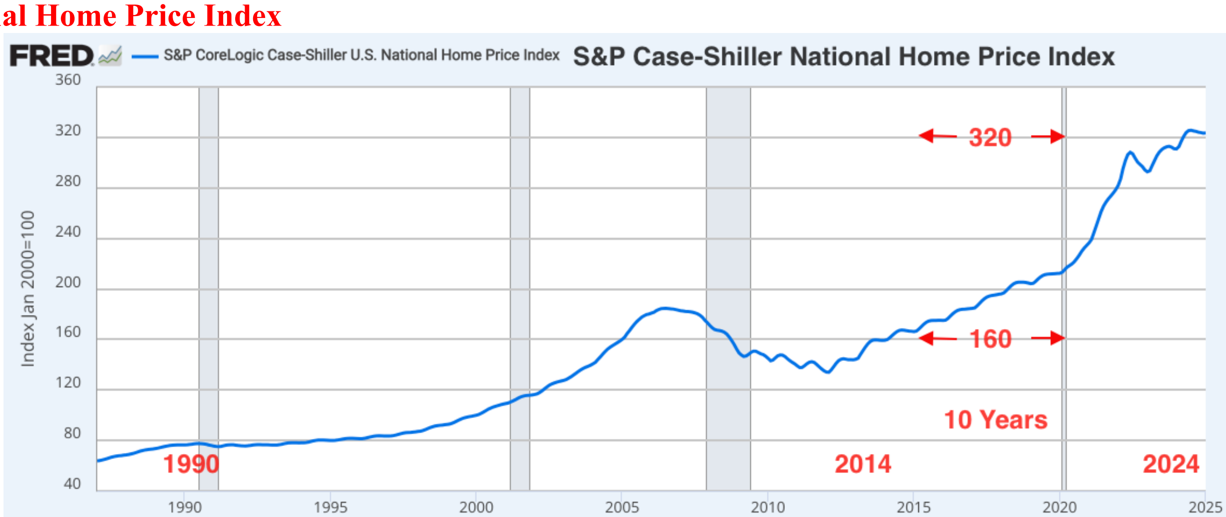
50 Years - The Big Picture – A look at History

Inflation



Stock Market

National Home Price Index

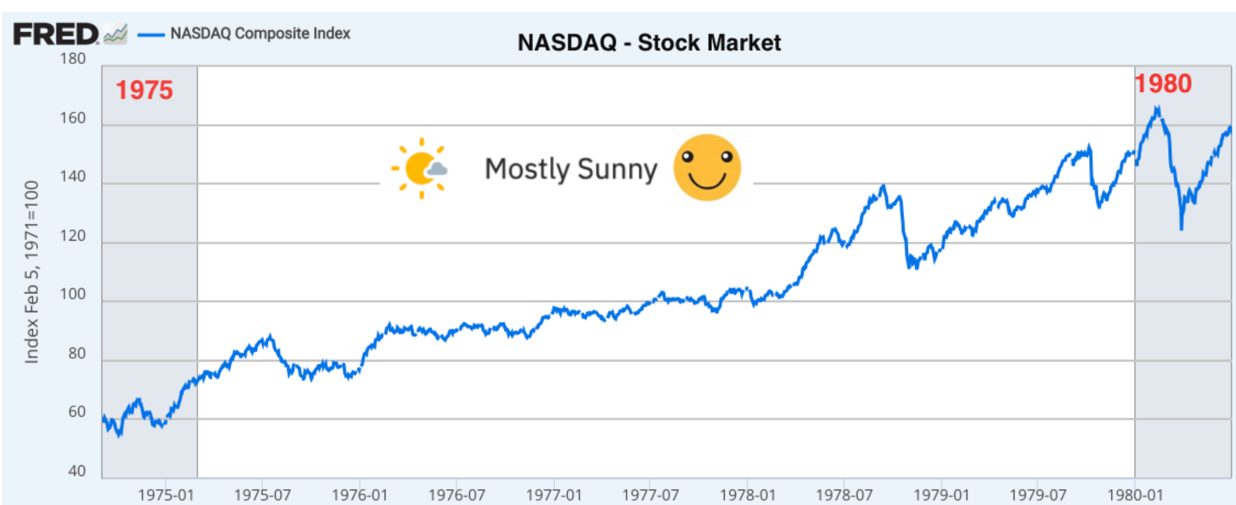


Expansion 1975 to 1980

Era of Inflation

- 1971 - President Richard Nixon – cancellation of the convertibility of US dollar into gold
- Inflation in 1970 **5%** to **14%** in 1980
- 1970 to 1980 one dollar went to **50 cents** in purchasing power, today it's worth less than 17 cents.
- 1975
  - price of a car was **$4,750**
  - price of gas was **53 cents** *(in 1972 it was 36 cents, OPEC launched in 1973)*
  - price of bread was **45 cents**
  - price of childbirth, labor & delivery was **$1,500**
  - price of college was **$542 per year**
  - price of a house was **$40,900**
- 1976, my first house cost **$19,300**, 3 years latter it sold for **$46,000**

Stock Market



Expansion 1975 to 1980

Era of Inflation

Real Estate

- I bought my first house in Springfield Oregon in 1976 for $19,300, I sold it 3 years later for $46,000.

Today it's valued around $372,300.

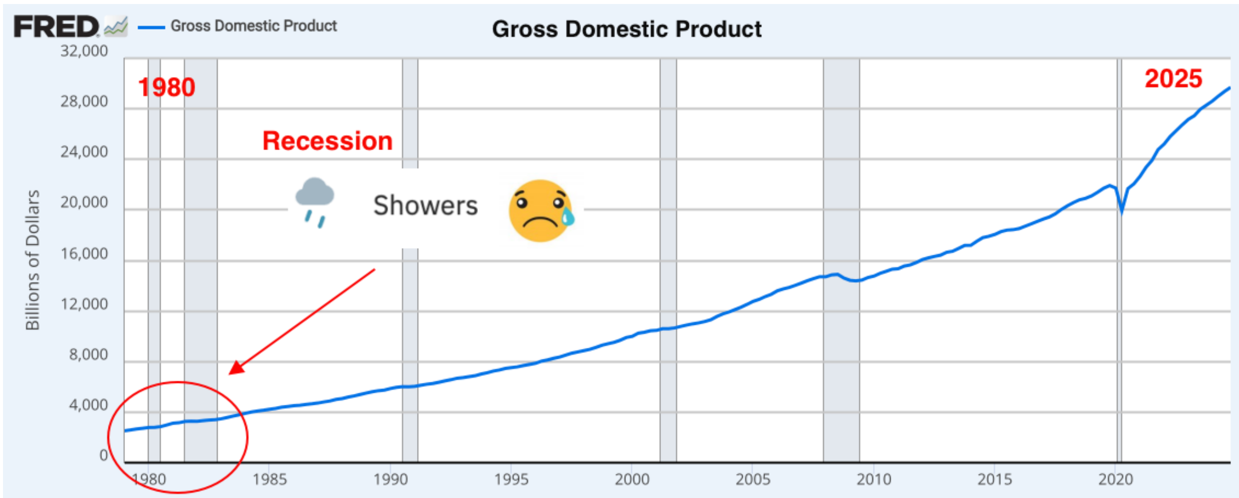
***

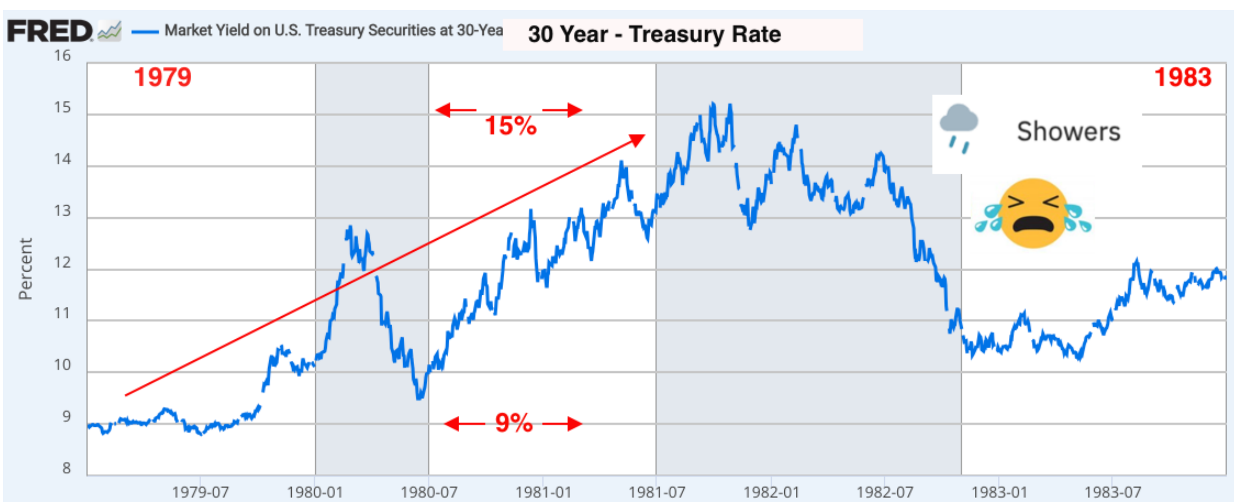
1980 to 1983 Recession ***(Federal Reserve Changed Monetary Targets)***

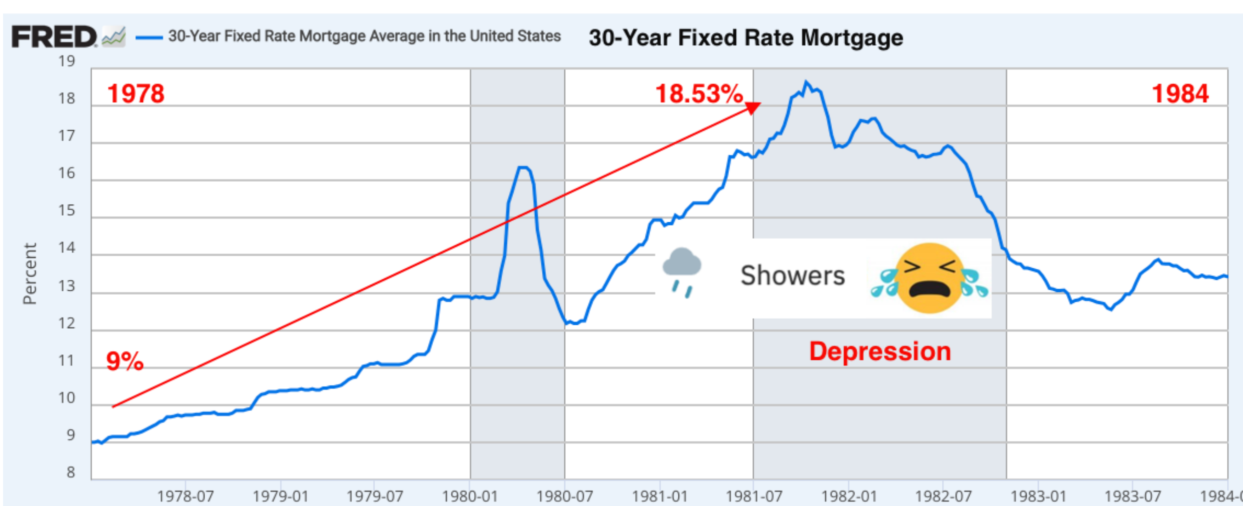
- Federal Funds Rate climbed to **19%**
- 3-month CDs climbed to **18.3%**
- 30-year mortgages climbed to **18.53%**
- Home prices dropped more than **28%** *(I know that because my house did.)*
- NASDAQ from 1980 *(P/E = 6.68)* to end of 1983 *(P/E = 11)* actually ended **UP 50%**
- It took **18 years** for homes sold matched **1978** level of **4 million units**.
- Unemployment went from **5.6%** to **10.8%**

Recession 1980 to 1983

Federal Reserve Changed Monetary Targets

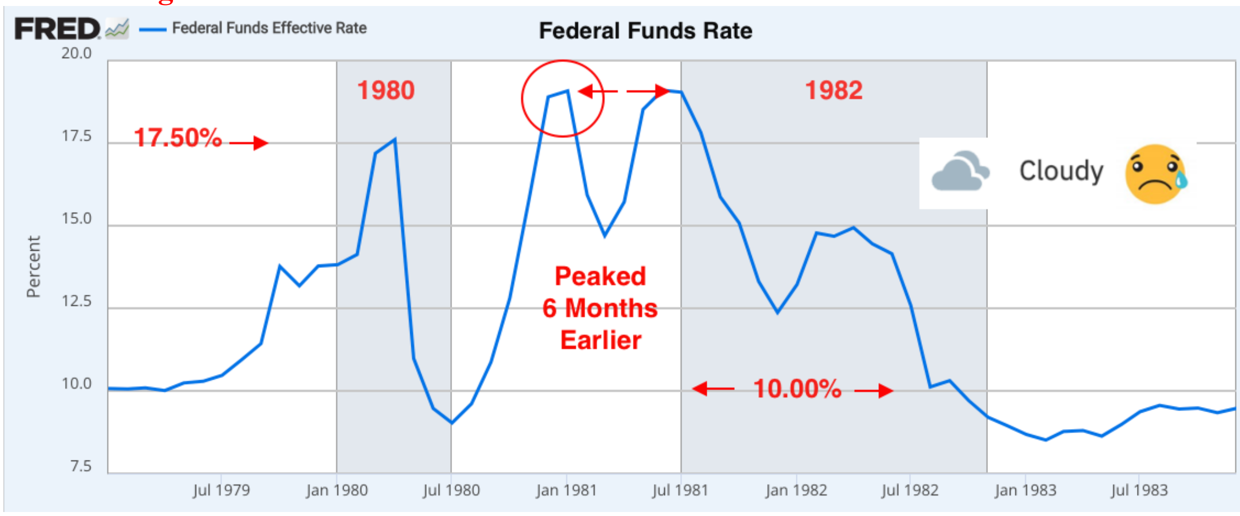




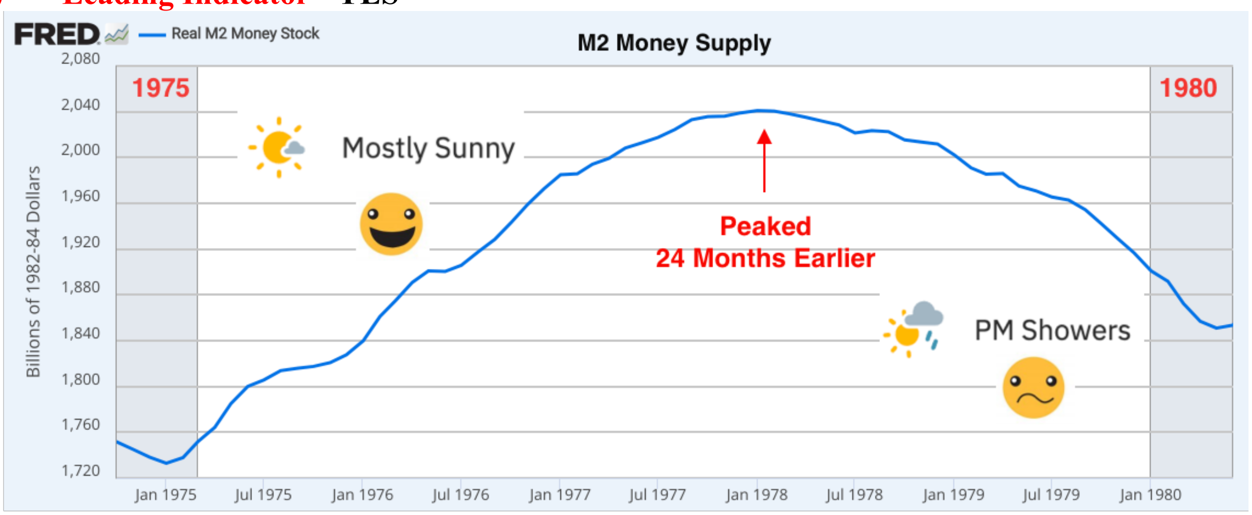


Recession 1980 to 1983

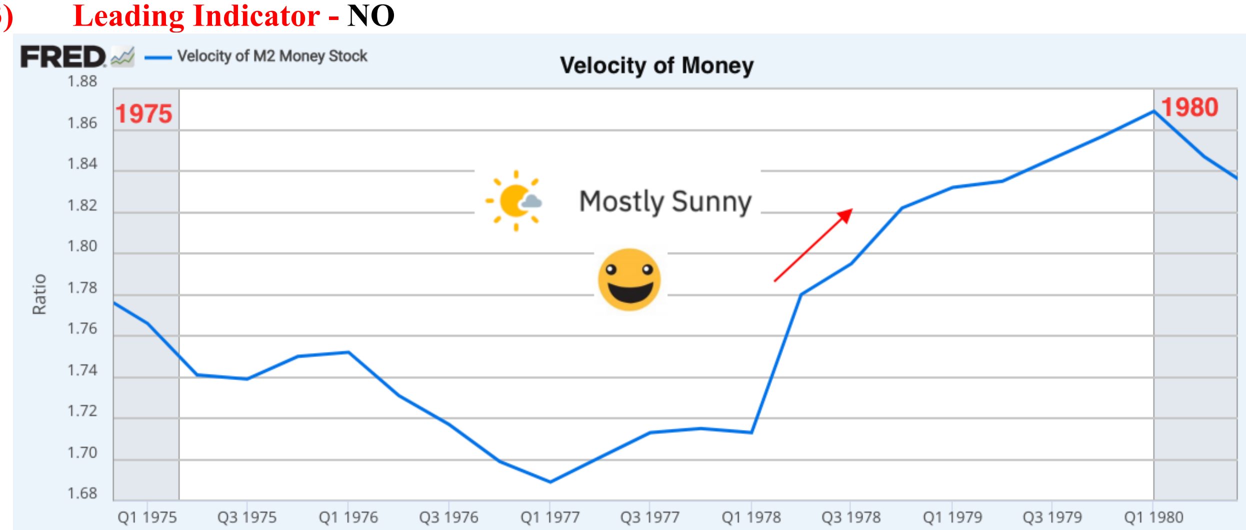
(1) **Leading Indicator - YES**



(2) **Leading Indicator - YES**

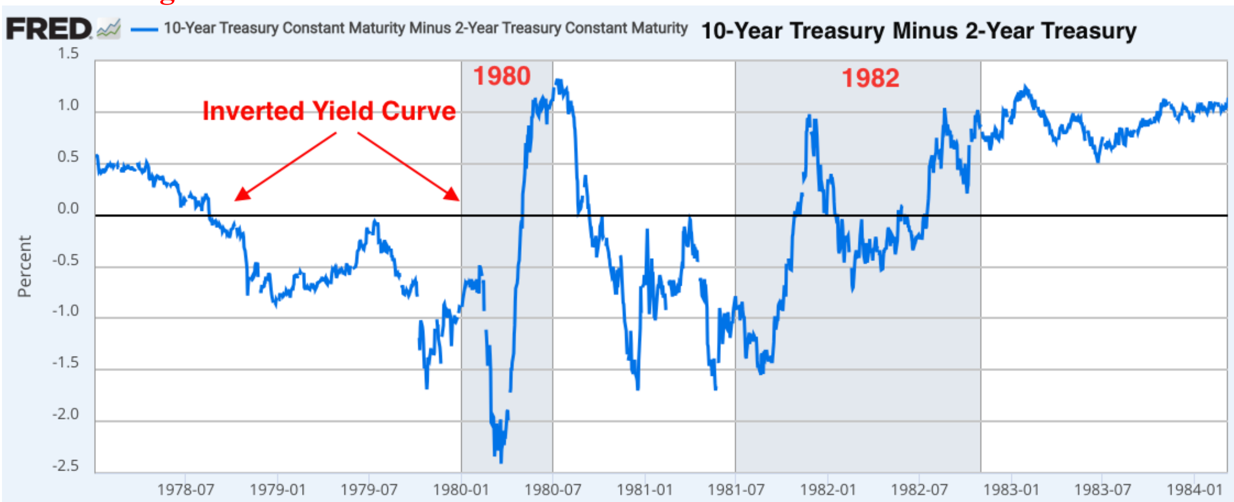


(3) **Leading Indicator - NO**

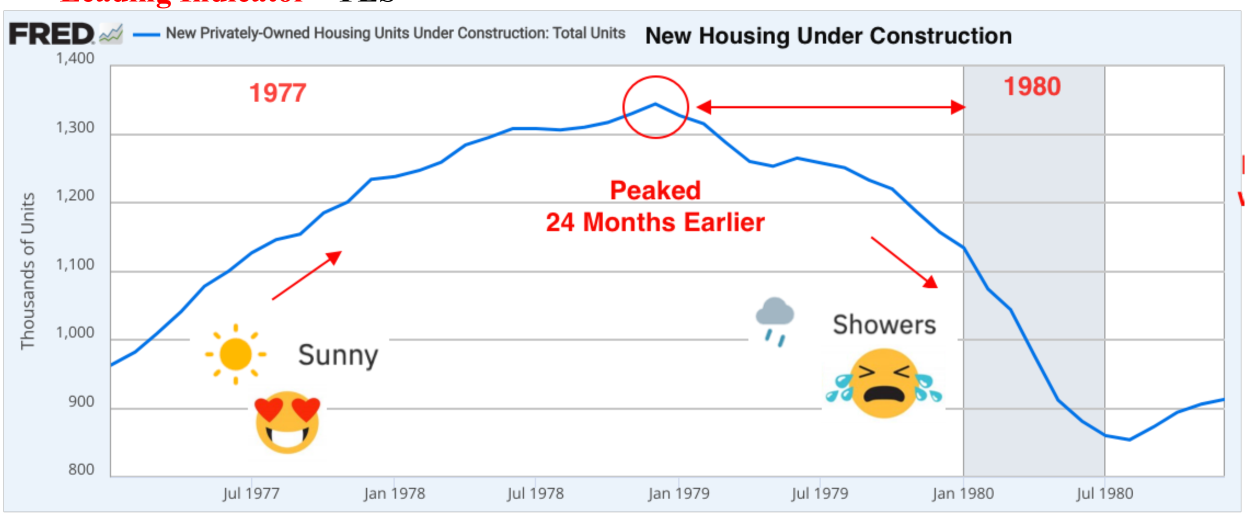


Recession 1980 to 1983

(4) Leading Indicator – YES



(5) Leading Indicator - YES



(6) Leading Indicator - NO

Recession 1980 to 1983

Real Estate

1980 Real Estate as a Leading Indicator - NO

The S&P Case-Shiller U.S. National Home Price Index did not exist in 1980 so I can tell you from personal experience that real estate was a coincidental indicator to the 1980 recession. We didn't see it coming.

- In 1979 I bought this house for $72,000, three years later we sold it for $52,000 for a 28% loss of $20,000.

Today it's valued around $430,300.

Does any of this look familiar? What Did We Learn?

How did the market react in the aftermath of the 1980 recession/depression?

- Politics shifted to the right with the election of Ronald Reagan in 1980.
- Families went into housing that had a multigenerational footprint as Grandparents moved in with Kids and Kids moved back home from college.
- Families built out their garages and added extra bedrooms.
- Families also downsized and moved into smaller homes.
- People also focused on cars with greater gas milage.
- Debt became toxic and families got rid of debt any way they could.
- One UP-TICK was the advancement in technologies.

  - In 1980 I worked on my first personal computer the Apple III:

  - In 1984 when the Apple Macintosh first came out, I bought the first 128k Macintosh.

Expansion 1983 to 1990

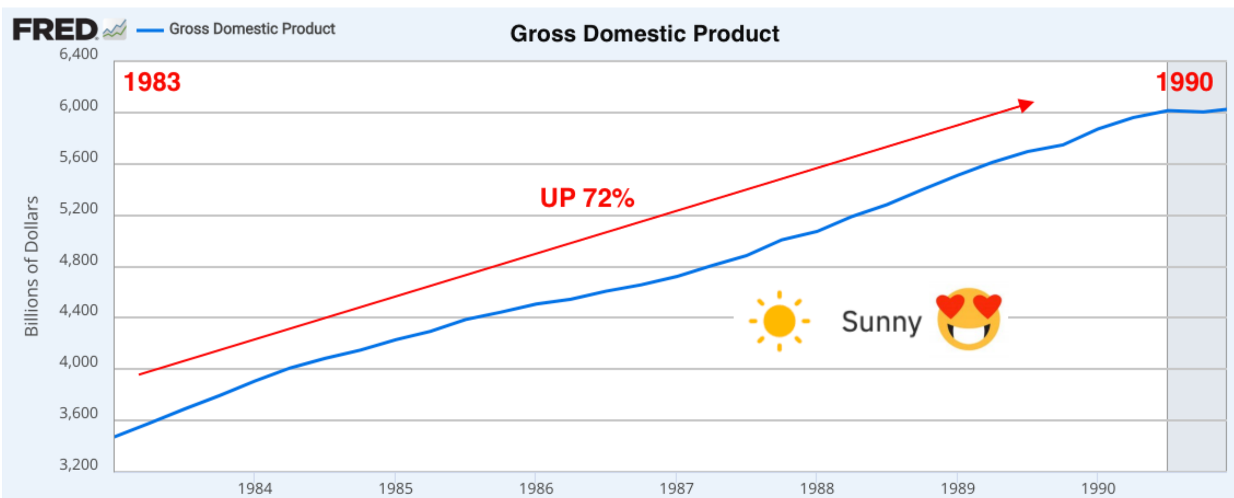
- Banking Disintermediation
- Money market investments increased by **773%**
- CMO investments increased by **5400%**

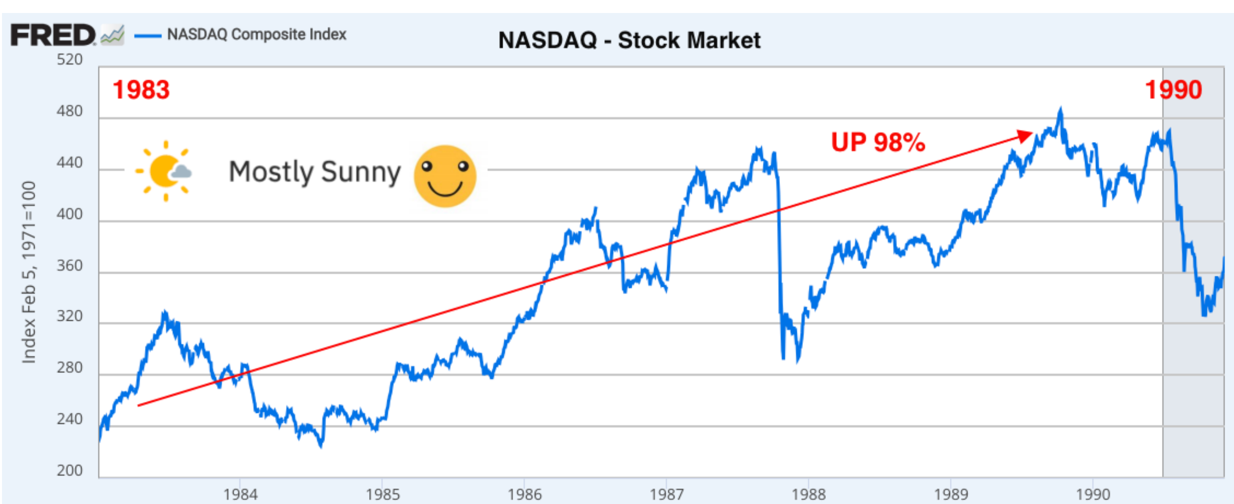
- **1980** Apple went public
- **1980** Nike went public

- Retail Disintermediation
- **1981** "The Home Depot" went public
- **1985** Costco went public in

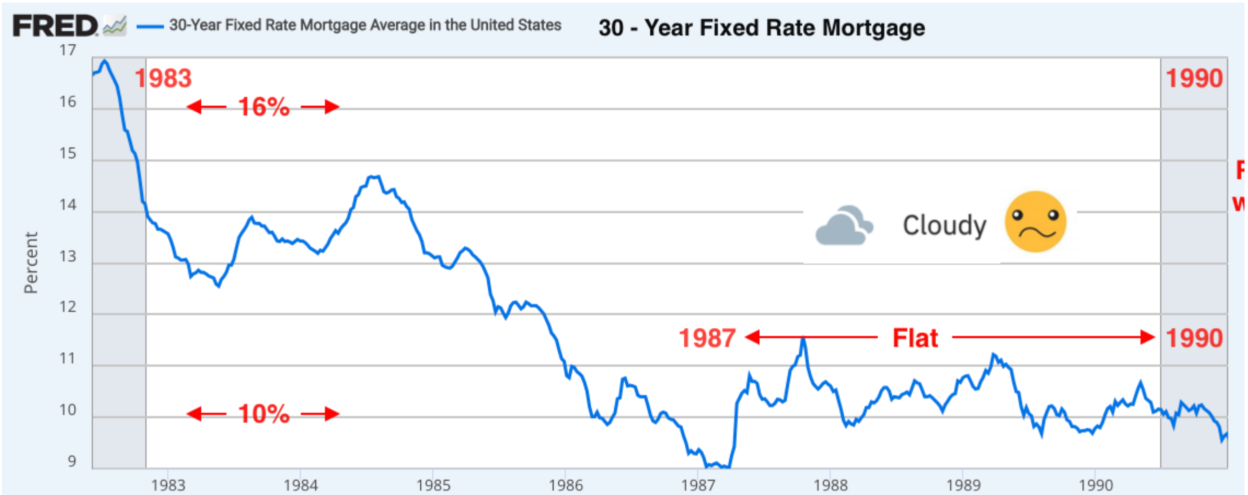
- **1986** Microsoft went public

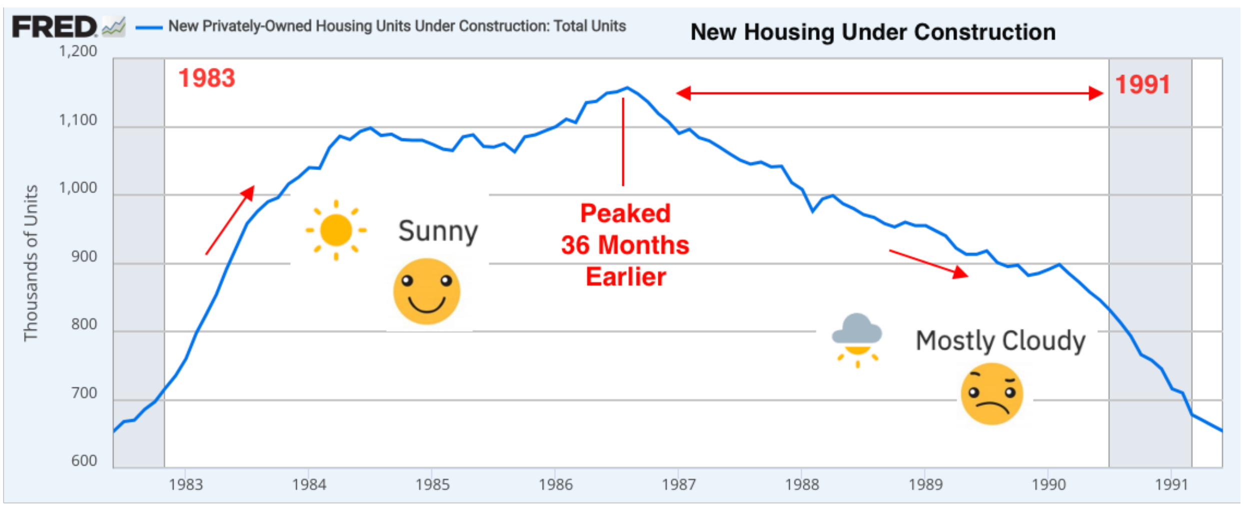
- **1989** World Wide Web or the **INTERNET** was launched



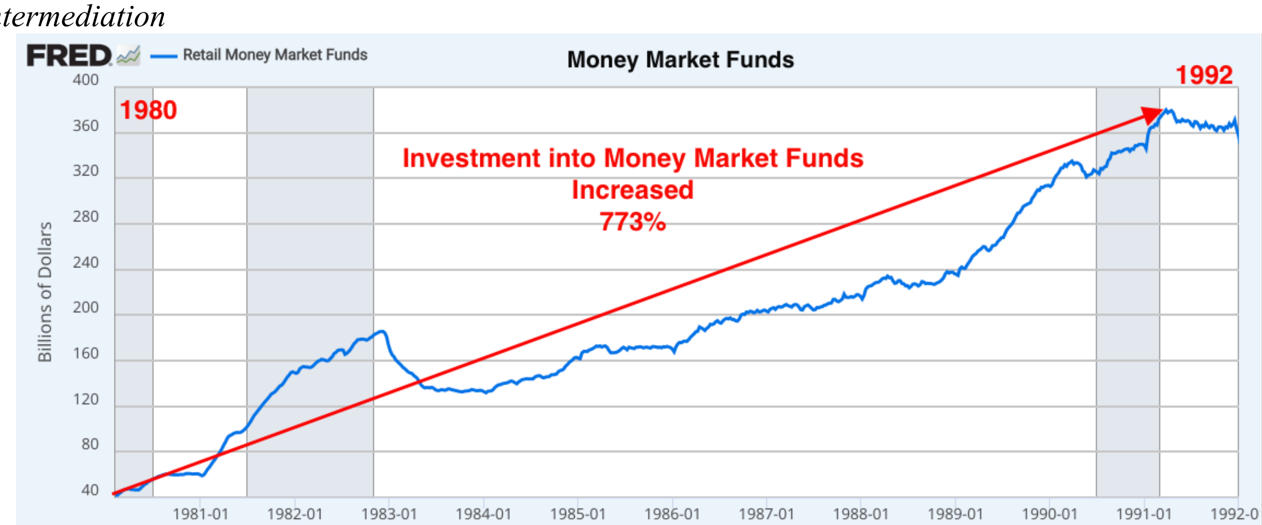


Expansion 1983 to 1990



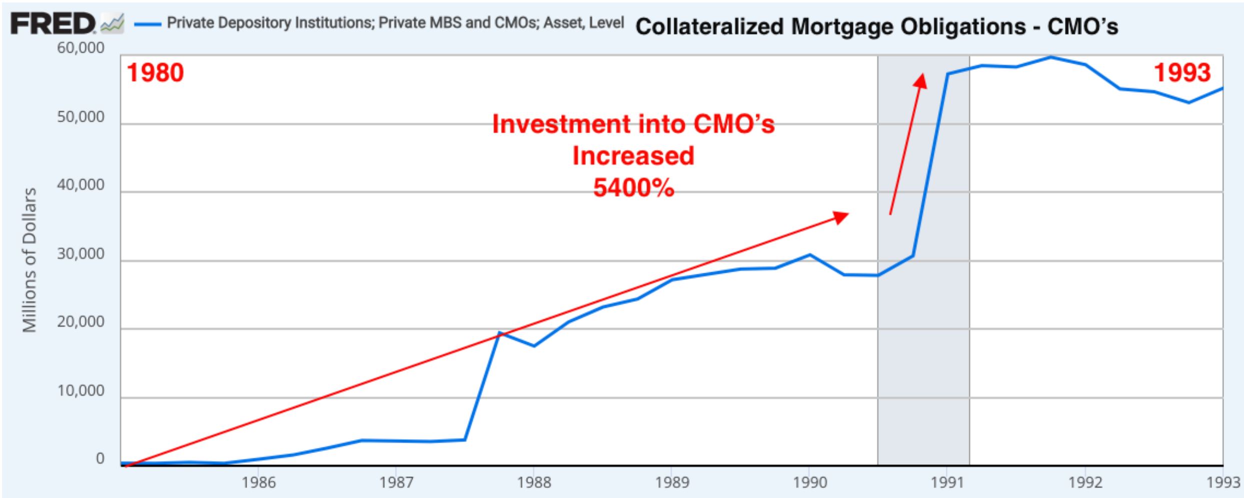


Disintermediation



Expansion 1983 to 1990

Disintermediation



Recession 1990 to 1991

Systemic Banking & Regulatory Failures – Reg Q

- **REG Q** the root cause of the Savings & Loan crisis
- Who "took" the blame? **Charles Keating**, CEO of **Lincoln S&L**
- Savings & Loans, accounting for **45%** of the residential mortgage market collapsed.
- **1,000** Savings & Loans went bankrupt.
- **War in Kuwait** oil prices went from **$17** to **$41** barrel.

The Savings & Loan Crisis

In 1980 Savings & Loans accounted for 45% of the residential mortgage market, today they barely exist. Over 1,000 banks and Savings & Loans failed. Defaults on mortgage loans accounted for losses of $160 billion, with taxpayers having to cover $132 billion of that loss.

Charles Keating who ran the Lincoln Savings & Loan Association became the lighting rod and face for much of the crisis being reflected in the media, but it was much more a problem stemming from systemic failures in banking regulations and political oversight. The "blame game" was on.

The Savings & Loan Crisis

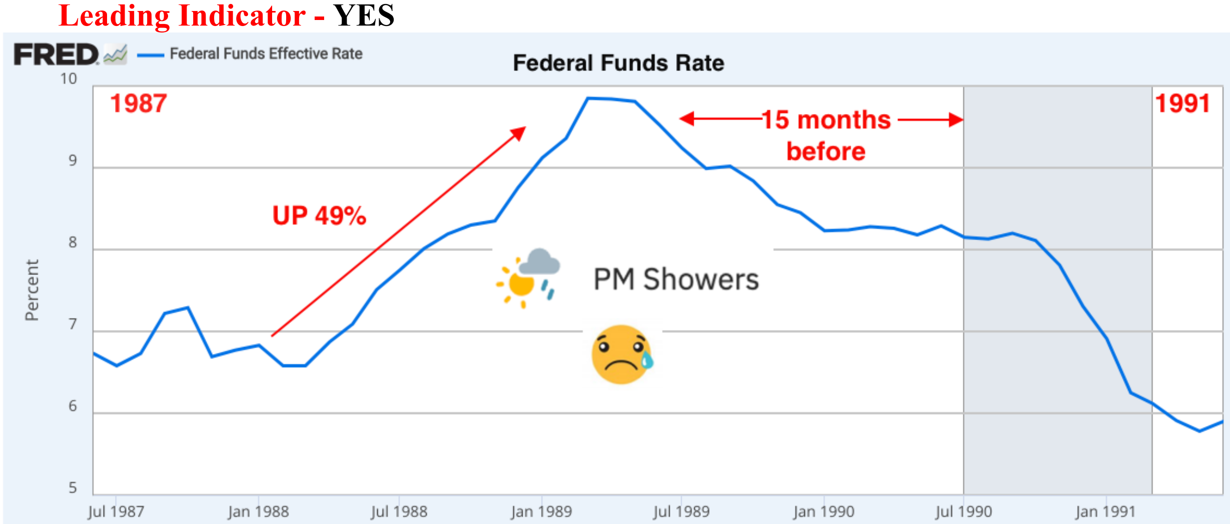
Regulation Q, under which the Federal Reserve operated since 1933 had limited the interest rates S&Ls could pay on their deposits. Borrowing short to lend long was the financial structure that federal policy effectively forced S&Ls to follow. S&Ls had to use short-term passbook savings to fund long-term, fixed-rate home mortgages. That resulted in deposit flight as savers, seeking higher returns, moved their funds to other financial institutions or investments that offered higher interest rates, such as money market funds. Investment dollars ran out of the Banks and Savings and Loans by the billions.

The inherent danger of Reg. Q became evident every time short-term interest rates rose. S&Ls, stuck with long-term loans at fixed rates, often had to pay more to their depositors than they were making on their mortgages. This is reflected in an inverted yield curve. An inverted yield curve is when short term interest rates are higher than long term rates. As money flowed out, S&Ls where often forced to take on risker and risker loans to make up the difference. S&Ls were taking on risks they might not otherwise had to because of regulations.

Another note to point out, in the introduction of Collateralized Mortgage Obligations or CMOs is that once they were securitized and sold into the secondary market S&Ls lost the very income stream, they depended on to make money. Short term they got a pop in revenue from selling these assets but longer term they lost the revenue stream these mortgages provided.

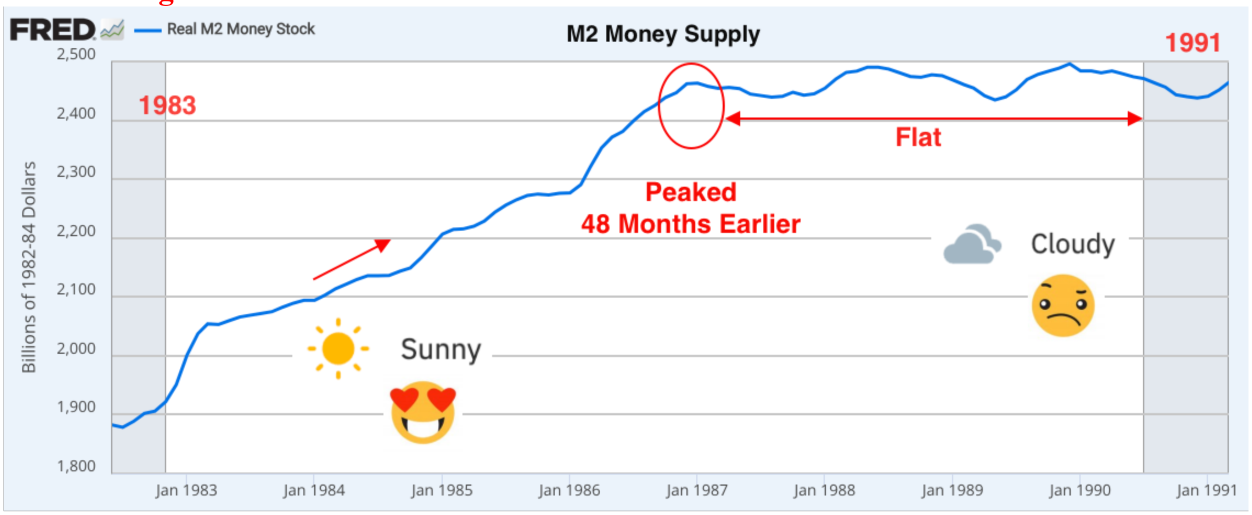
Recession 1990 to 1991

(1) Leading Indicator - YES

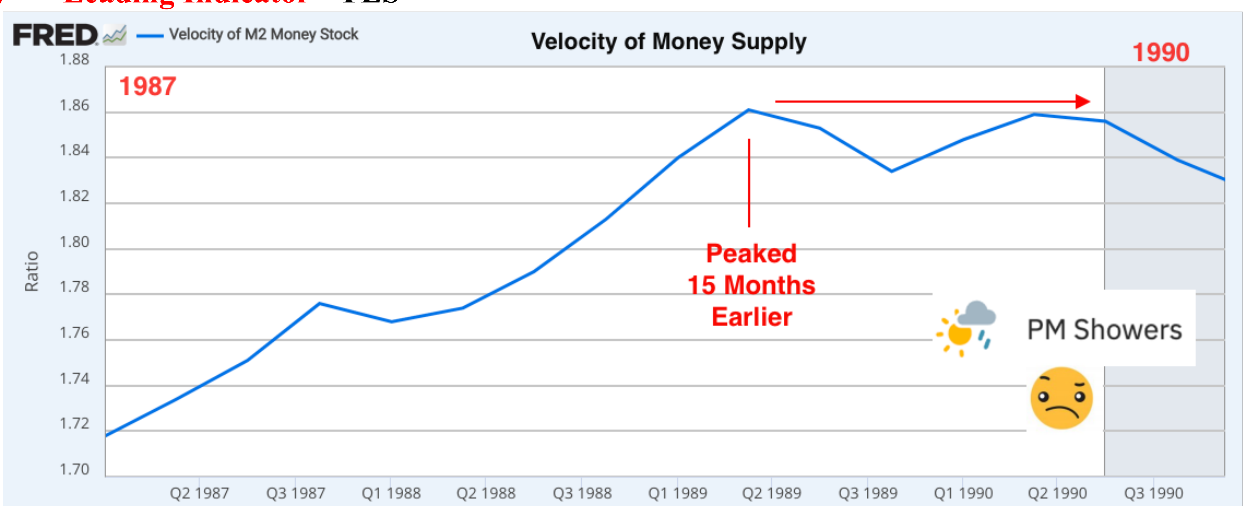


Recession 1990 to 1991

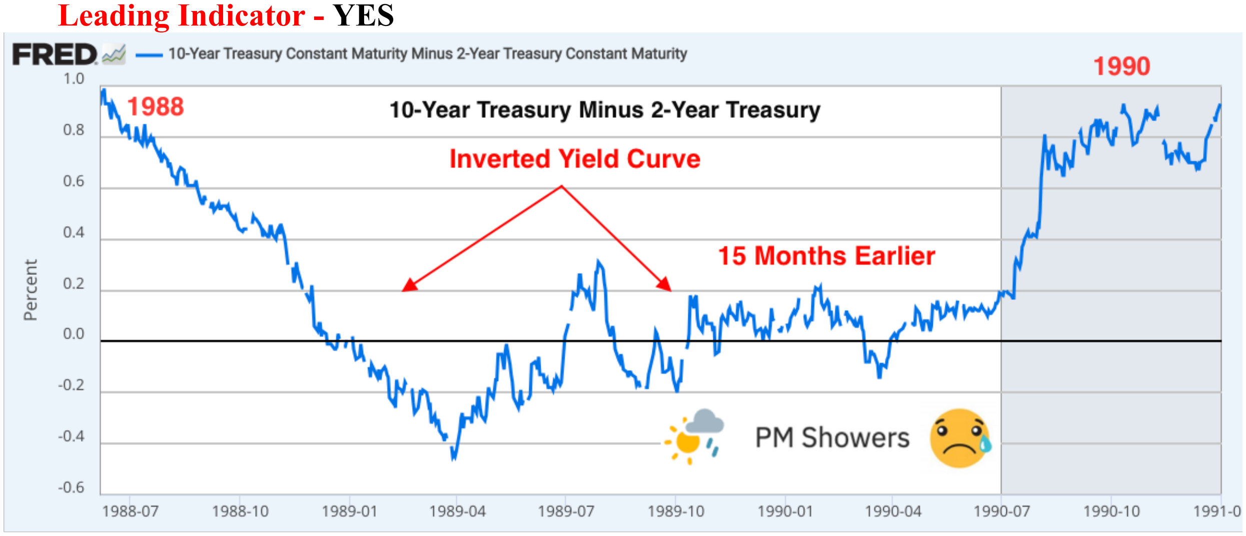
(2) Leading Indicator - YES



(3) Leading Indicator - YES

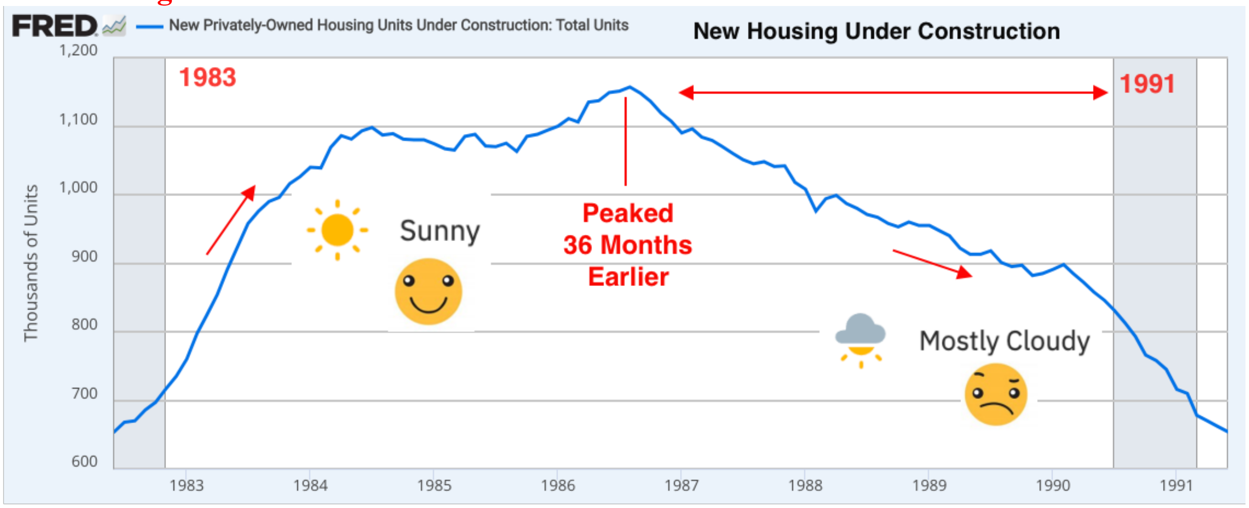


(4) Leading Indicator - YES

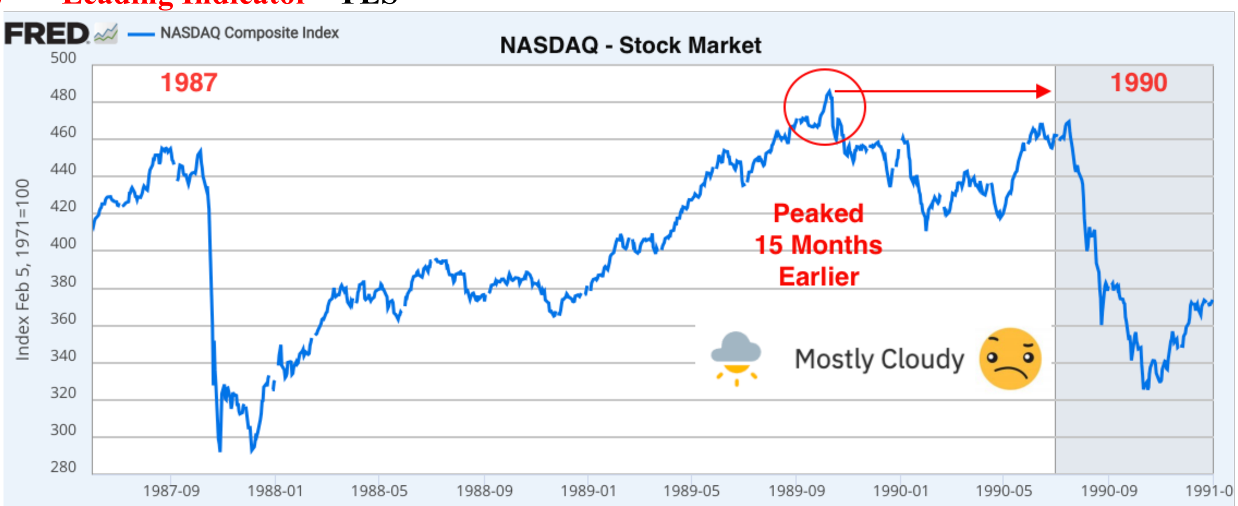


Recession 1990 to 1991

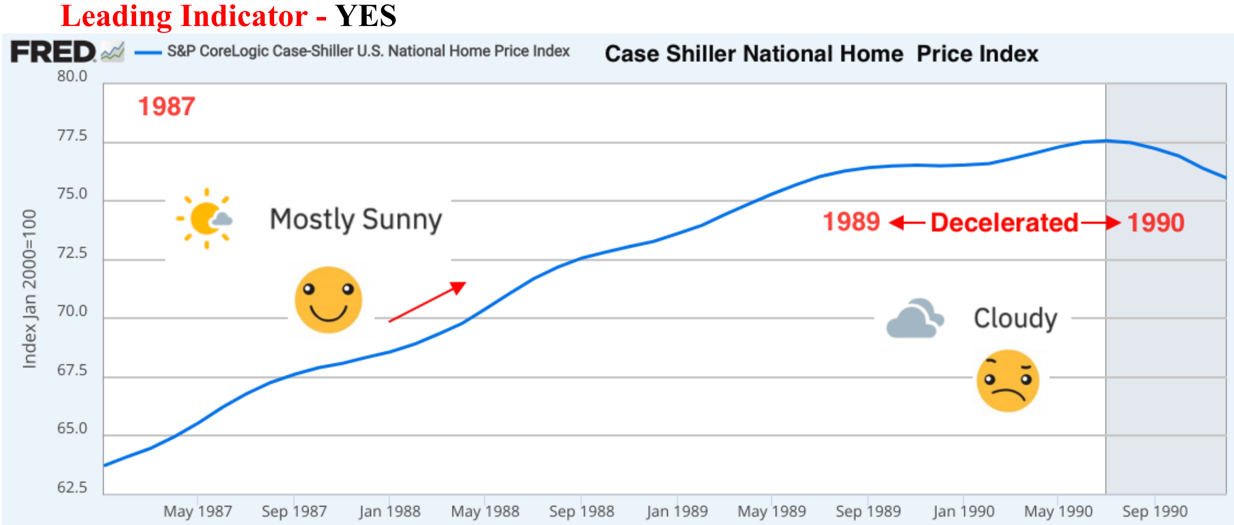
(5) Leading Indicator - YES



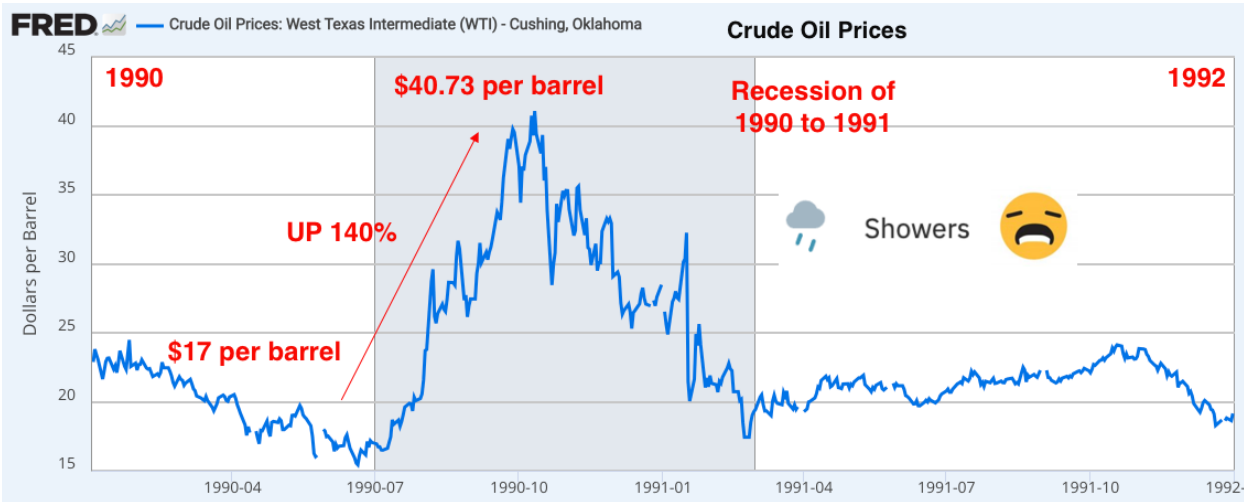
(6) Leading Indicator - YES



(7) Leading Indicator - YES



Recession 1990 to 1991



Expansion 1991 to 2000

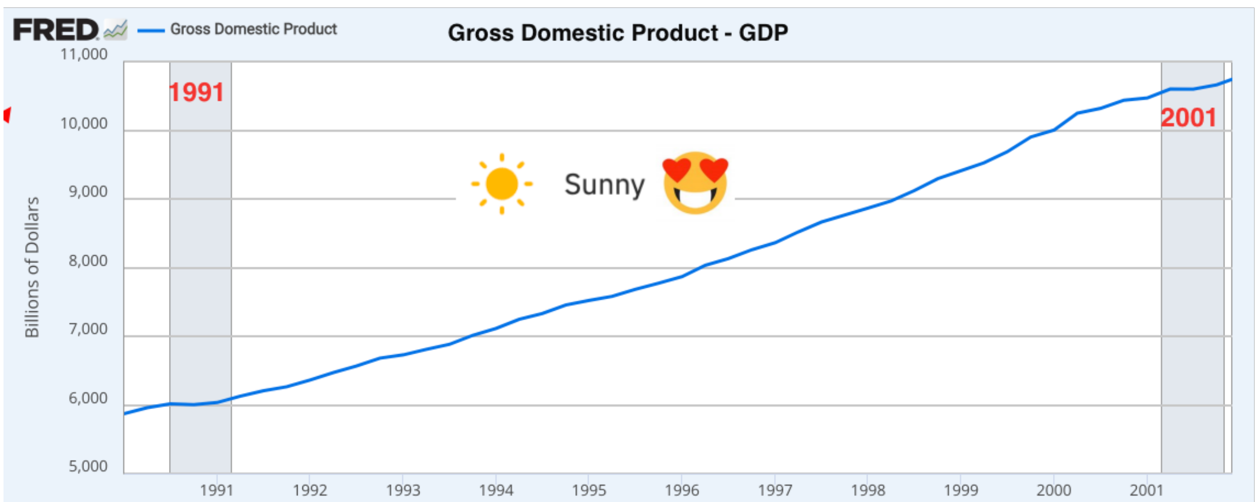
The Internet was Born, the "Dot Com Bubble" was beginning.

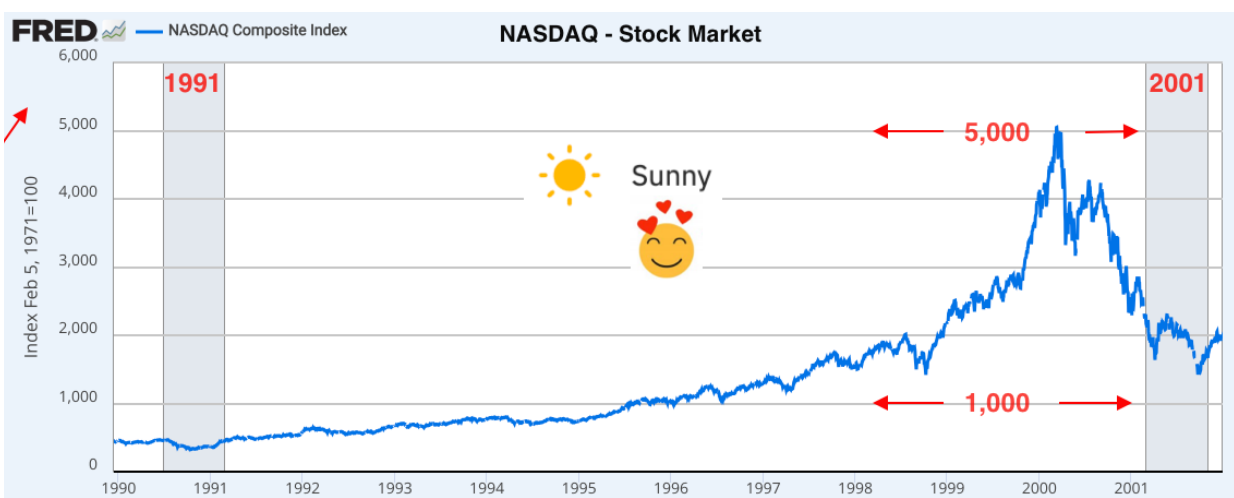
- **1989** World Wide Web or **INTERNET** was launched

- **1994 -** Amazon was founded.
- Retail Disintermediation.

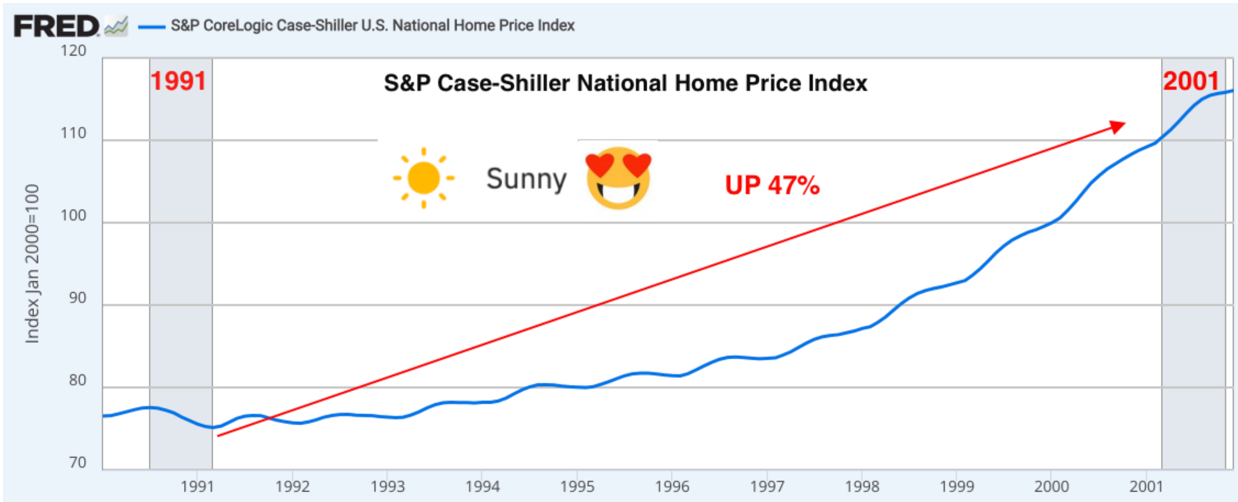
- Manufacturing (Steel) Disintermediation
- **2001** Bethlehem Steel filed for bankruptcy
- **2003** National Steel filed for bankruptcy
- Almost **40 steel companies failed** over this time periods

- **1995 -** Federal Debt hit **$5** trillion for the first time in 219 years.





Expansion 1991 to 2000

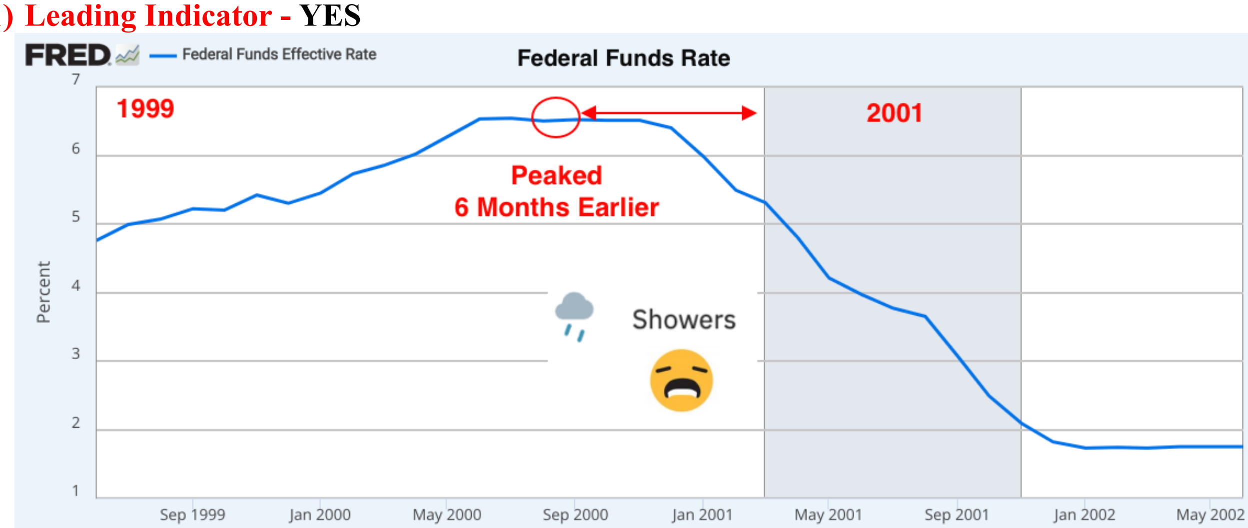


Recession 2001

The "Dot Com Bubble" Popped

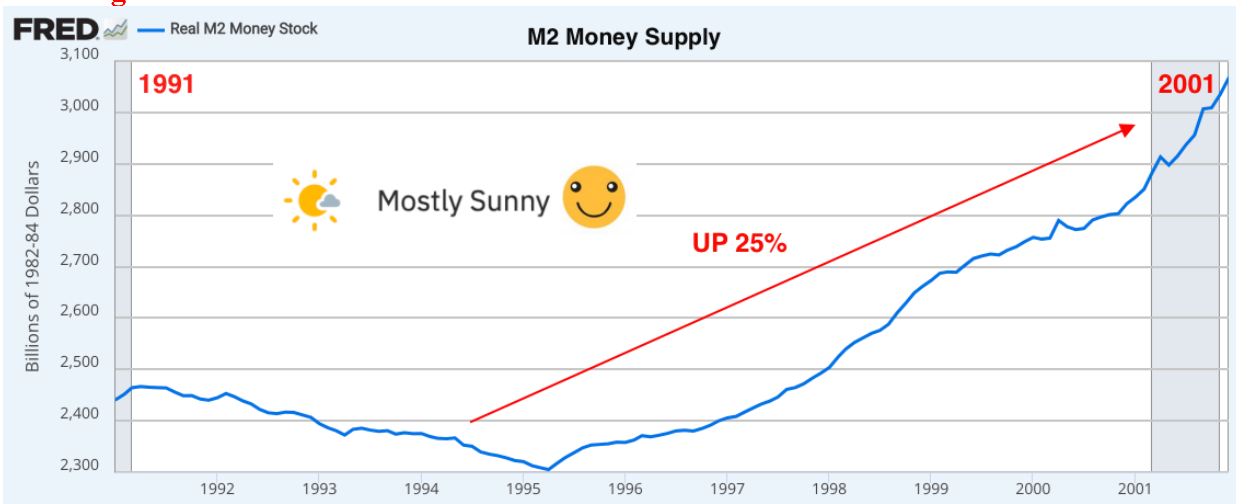
- The **"Dot Com"** Bubble Burst
- S&P Case-Shiller National Home Price Index went down **3%** *(for just 6 months)*
- Portland real estate went up **4%**
- The Nasdaq dropped 74% and did not return to its 2000 peak value until 2015 almost fifteen years later.

(1) Leading Indicator - YES

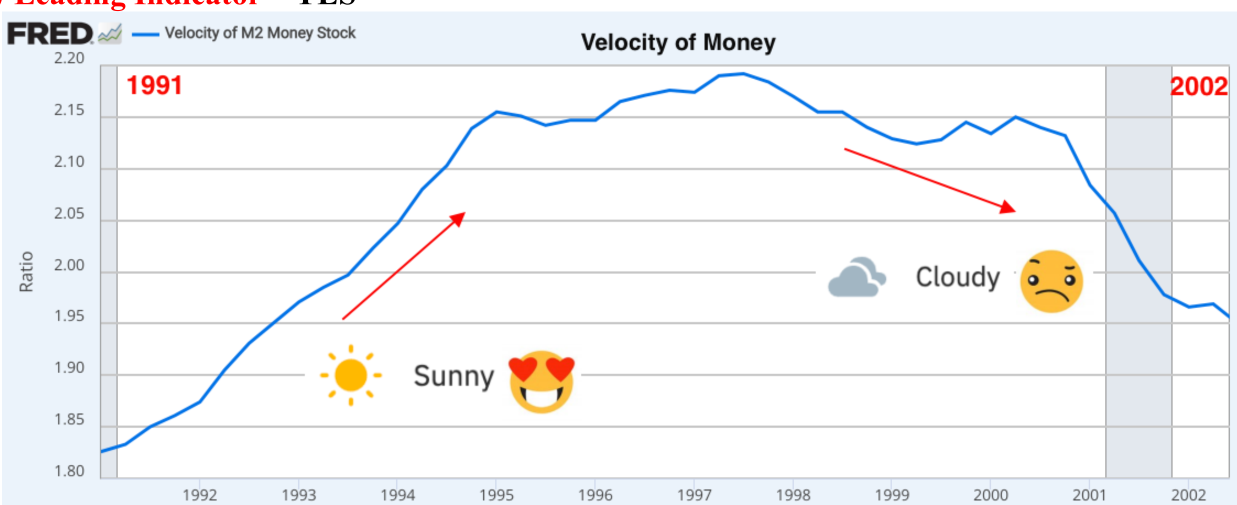


Recession 2001

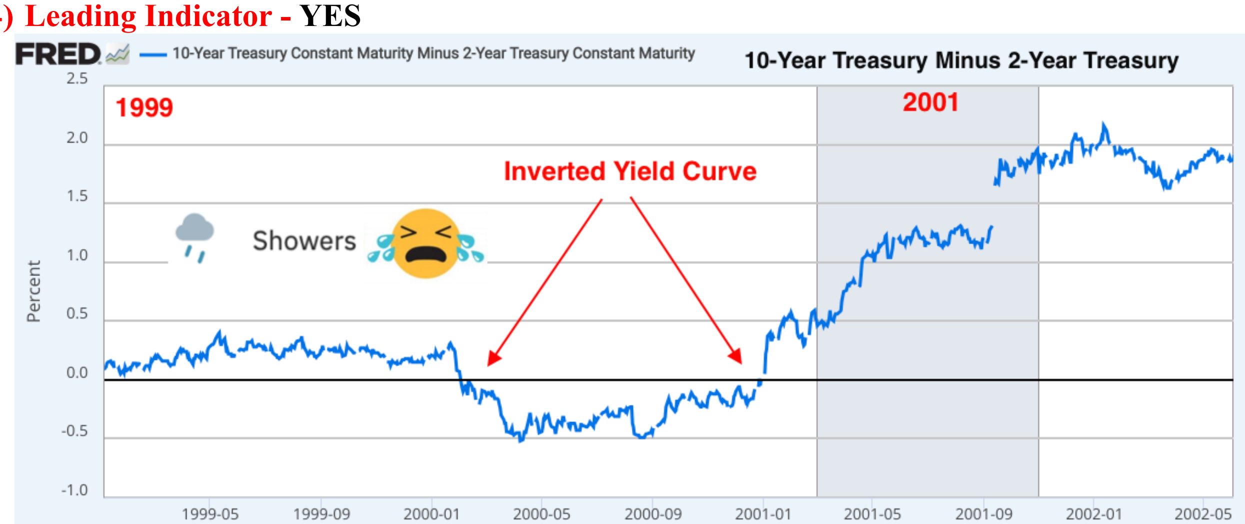
(2) Leading Indicator - NO



(3) Leading Indicator – YES

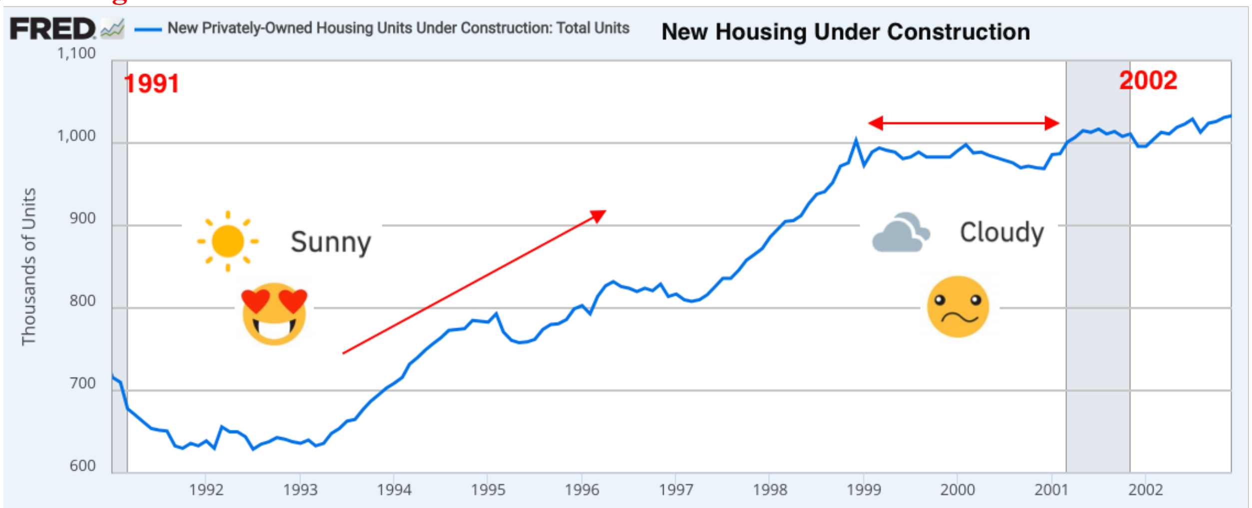


(4) Leading Indicator - YES

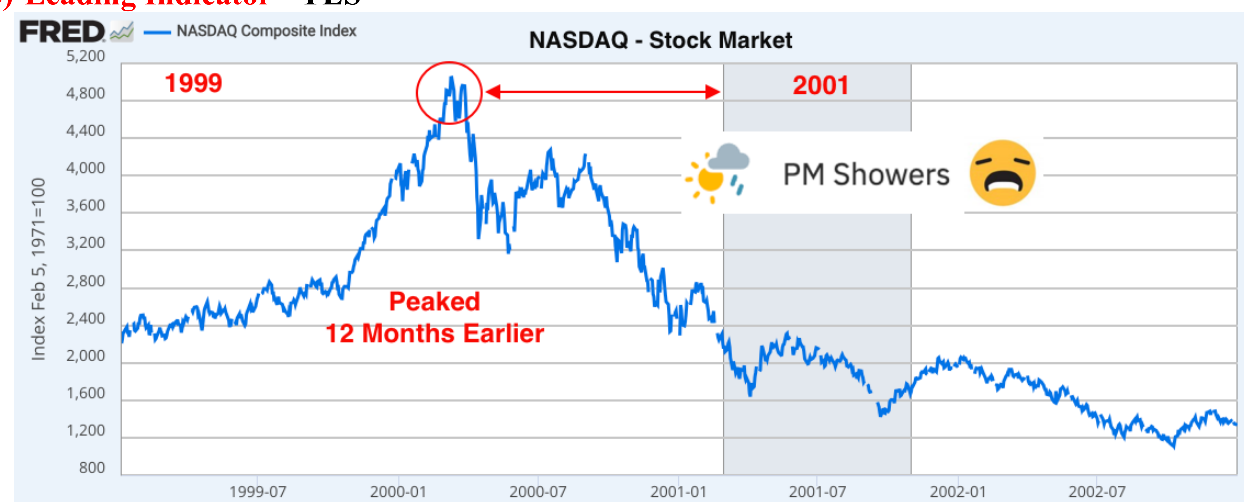


Recession 2001

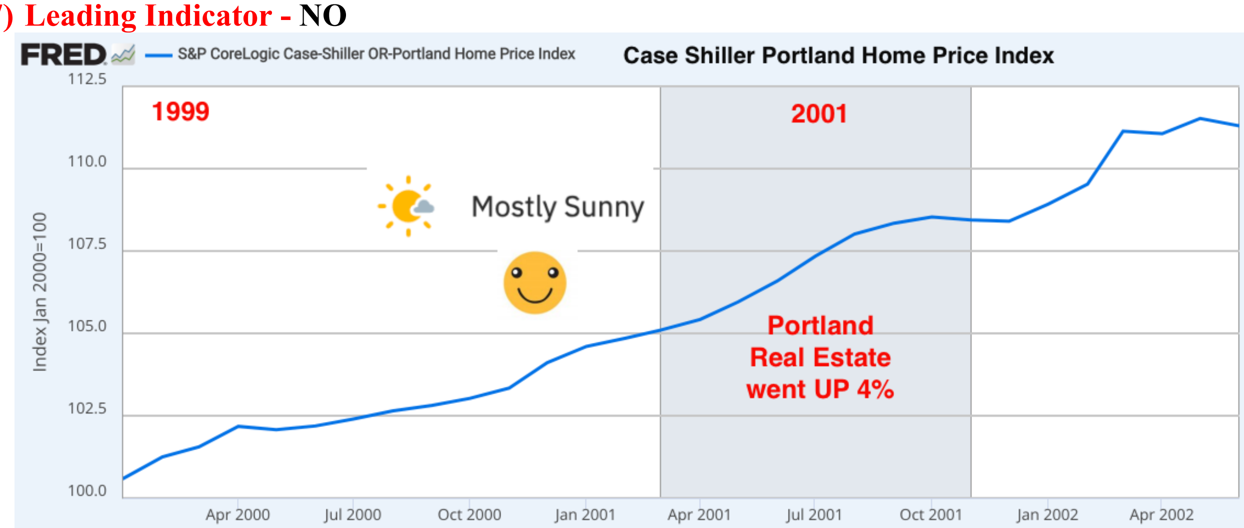
(5) Leading Indicator - YES



(6) Leading Indicator - YES



(7) Leading Indicator - NO



Expansion 2002 to 2008

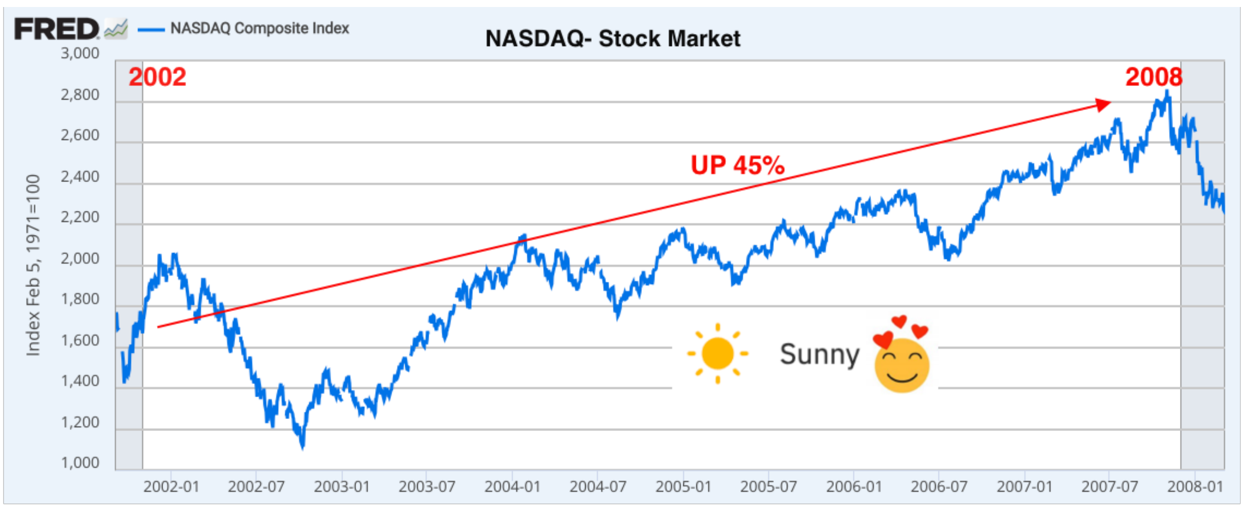
(Credit Default Swaps were deregulated)

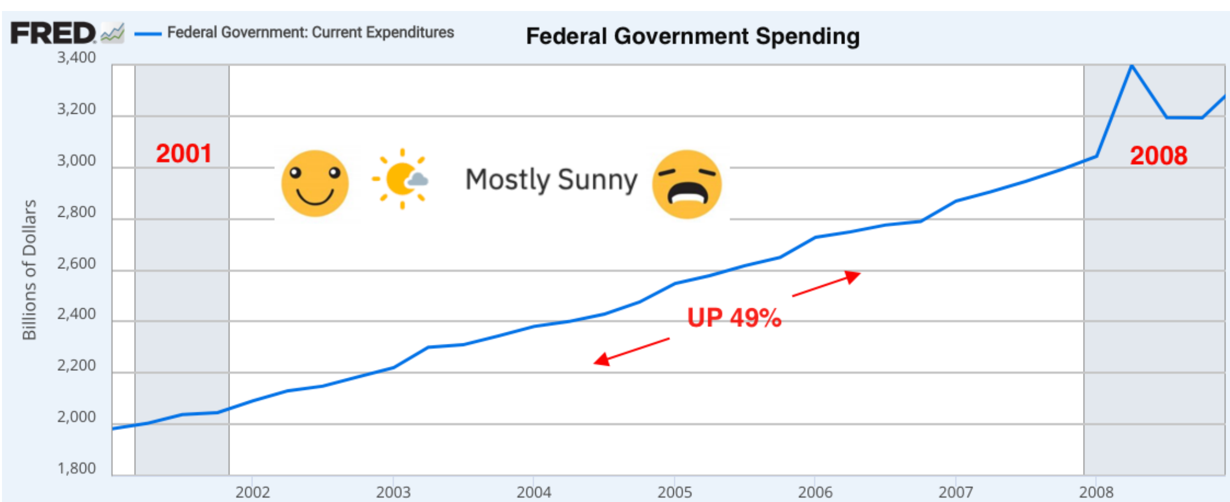
- "Credit Default Swaps" were deregulated.
    - grew to a $62 trillion dollar market.

- Banking – Insurance – Securities were deregulated: **Disintermediation**
    - 1999 the Glass-Steagall Act was repealed.

- Federal Debt increased $5 trillion, 2001 to 2008

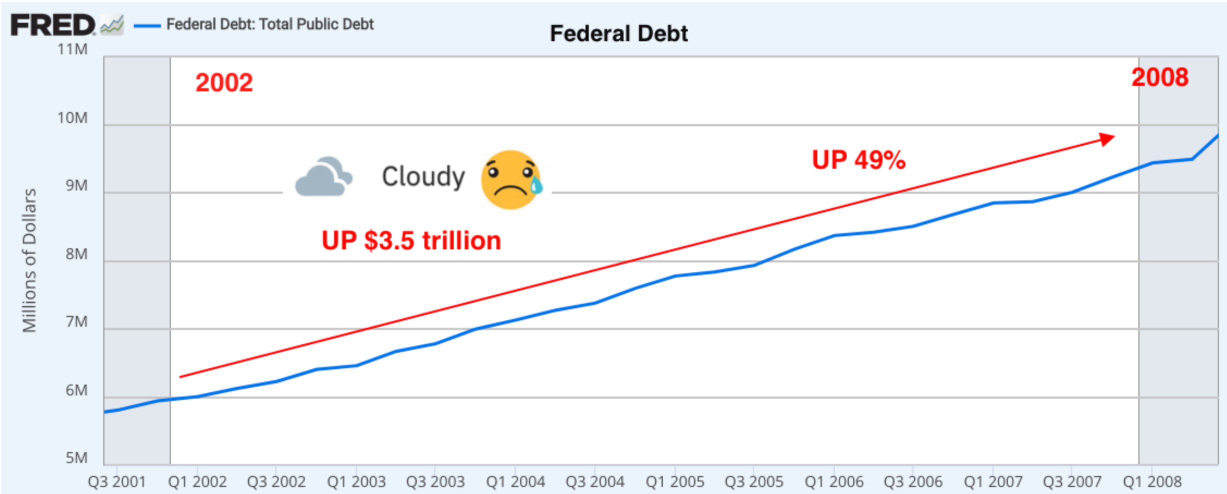
- Federal Spending increased by 49%





Expansion 2002 to 2008

Credit Default Swaps were deregulated



2002 to 2008 HOUSE OF CARDS

"Credit Default Swaps"

A "Credit Default Swap" is a contract between two parties in which one party purchases protection from another party against losses from the default of a borrower for a defined period of time.

In November 1999, President Clintons "Working Group on Financial Markets" issued a report, signed by Summers, Rubin, and Greenspan, as well as Securities and Exchange Commission chair Arthur Levitt and Bill Rainer, recommending that Credit Default Swaps be exempted from regulation. This exemption was codified in the Commodity Futures Modernization Act of 2000, which prohibited derivatives from being regulated either as securities or insurance; for good measure, it prohibited states from regulating derivatives too.

It's actually pretty simple. This is essentially how it worked in 2000 to 2008, hypothetically one Wall Street slick haired broker in a new suit would sit at a coffee table in New York having lunch with his friend who was a big-league Wall Street Banker. The broker would sell his friend the banker a Credit Default Swap. By that, it means he would take out his napkin and write on the back of it that for $1.50 he would guarantee the banker against any losses he might suffer on his billion-dollar mortgage portfolio. How cool is that, the banker would carry no more risk of default. The banker really loved it, so he buys the guy lunch, gives the broker a $1.50 and walks out the door thinking he has absolutely no risk to his banks total mortgage portfolio and he's free to make as many new home mortgage loans as he wants. What a deal.

Expansion 2002 to 2008

"Credit Default Swaps"

Larry Summers was the U.S. Secretary of the Treasury at the time. He relentlessly promoted these deregulation measures which unfortunately led to "predatory lending practices".

***

Recession 2008

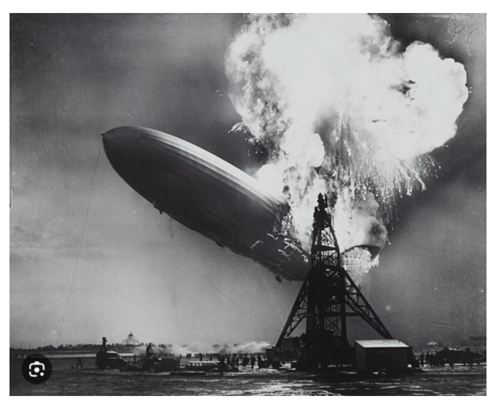
Systemic regulatory failures within the Banking & Financial Markets

- Lehman Brothers went bankrupt 9/15/2008
- Systemic failure of the Credit Default Swap market worldwide.
- Financial Market Collapse worldwide.
- Banking Markets Collapsed worldwide

The interaction of predatory subprime lending with unregulated and opaque derivatives such as credit default swaps were the single most important cause of the 2008 financial collapse.

Again, the Commodity Futures Modernization Act of 2000, prohibited derivatives from being regulated either as securities or insurance. Credit Default Swaps weren't "insurance" or for that matter "securities". They were essentially just paper napkins; that technically did not have to have reserves against losses or be backed by anything. What could possibly go wrong?

In 2008 the entire residential real estate market was worth about $25 trillion dollars. By the end of 2007, the outstanding balance of Credit Default Swaps insuring that was $62.2 trillion.



This was essentially the Hindenburg balloon waiting for a spark.

That spark was when Lehman Brothers closed its doors on September 15th, 2008. Lehman Brothers was the fourth-largest investment bank in the U.S. and had been around for over 100 years.

American International Group (AIG) was the largest insurance company in the country in 2008, it melted down. Bear Stearns was the first Wall Street investment bank to collapse.

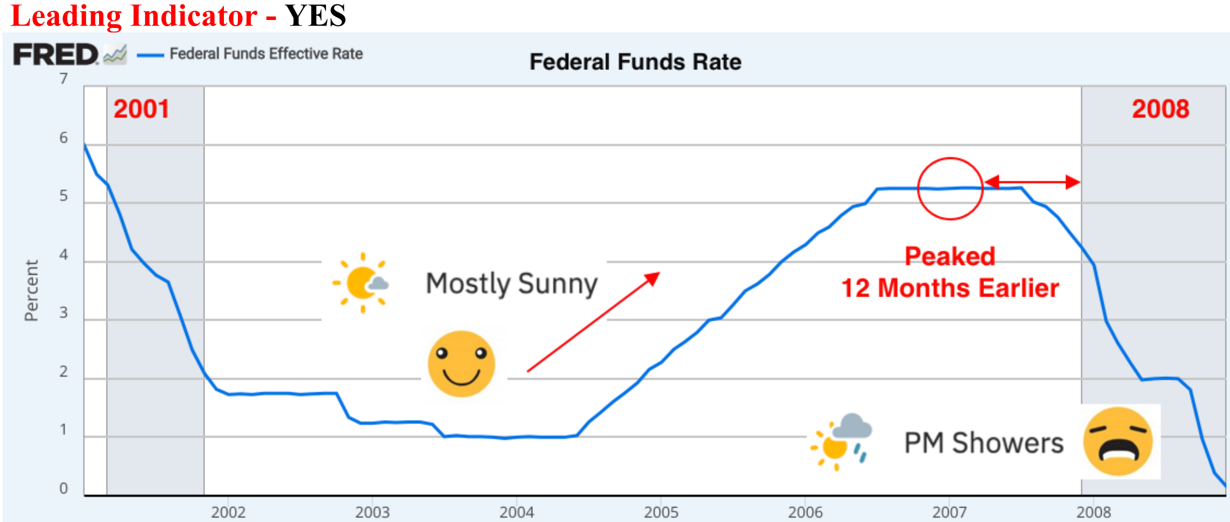
Recession 2008

Systemic regulatory failures within the Banking & Financial Markets

Other companies that filed for bankruptcy:

- Lehman Brothers. Filing date: 9/15/08. 691.1 billion in assets.
- Washington Mutual. Filing date: 09/26/08. $327.9 billion in assets.
- General Motors. Filing date: 06/01/09. $91 billion in assets.
- CIT Group. Filing date: 11/01/09. $80.4 billion in assets.
- Chrysler. Filing date: 04/30/09. $39.3 billion in assets.
- Thornburg Mortgage. 05/01/09. $36.5 billion in assets.
- General Growth Properties. 04/167/09 $29.6 billion in assets.
- Lyondell Chemical. 01/06/09. $27.4 billion in assets.
- Colonial BancGroup. 08/25/09 $25.8 billion in assets.
- Capmark Financial Group. 10/25/09. $20.6 billion in assets.
- Ambac Financial Group. 11/08/10 $18.9 billion in assets.
- Guaranty Financial Group. 08/27/09. $16.8 billion in assets.
- BankUnited Financial. 05/21/09. $15 billion in assets.
- Charter Communications. 03/27/09. $13.9 billion in assets.
- Tribune Company. 12/08/08. $13.1 billion in assets.

(1) Leading Indicator - YES



Recession 2008

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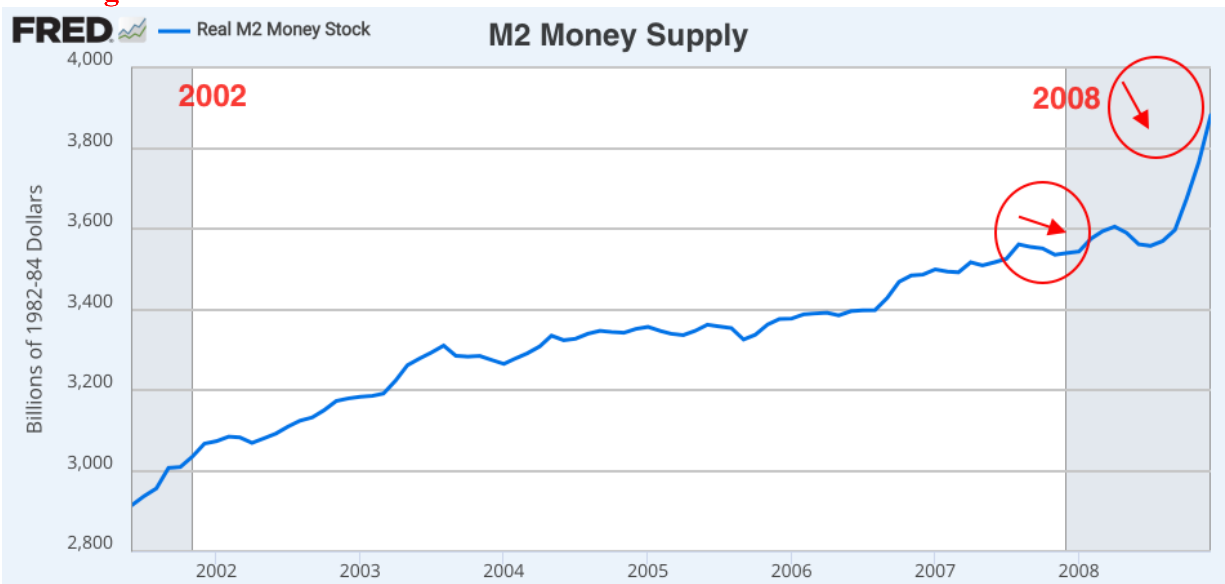

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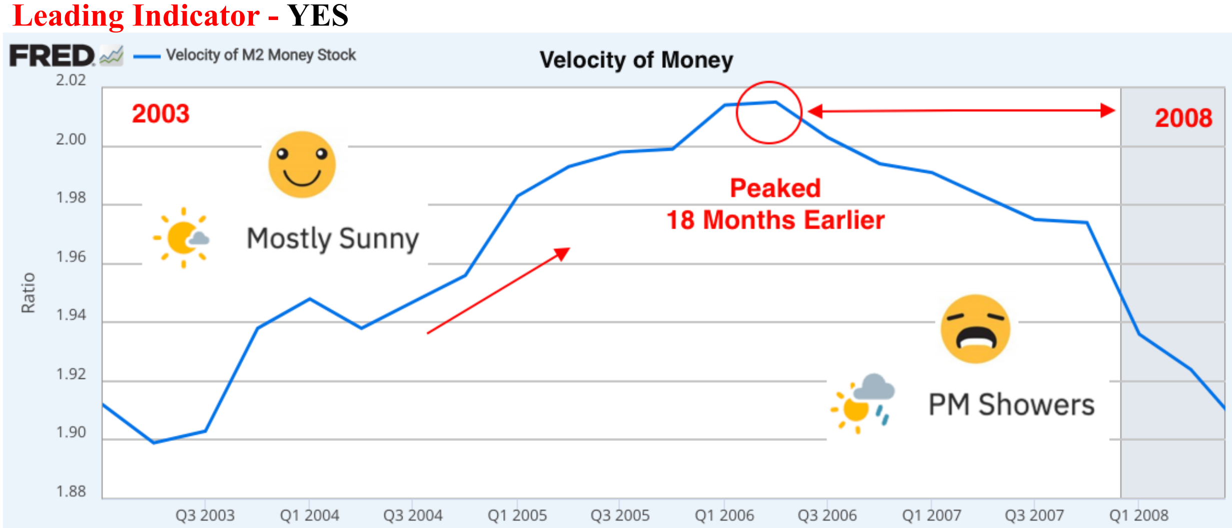

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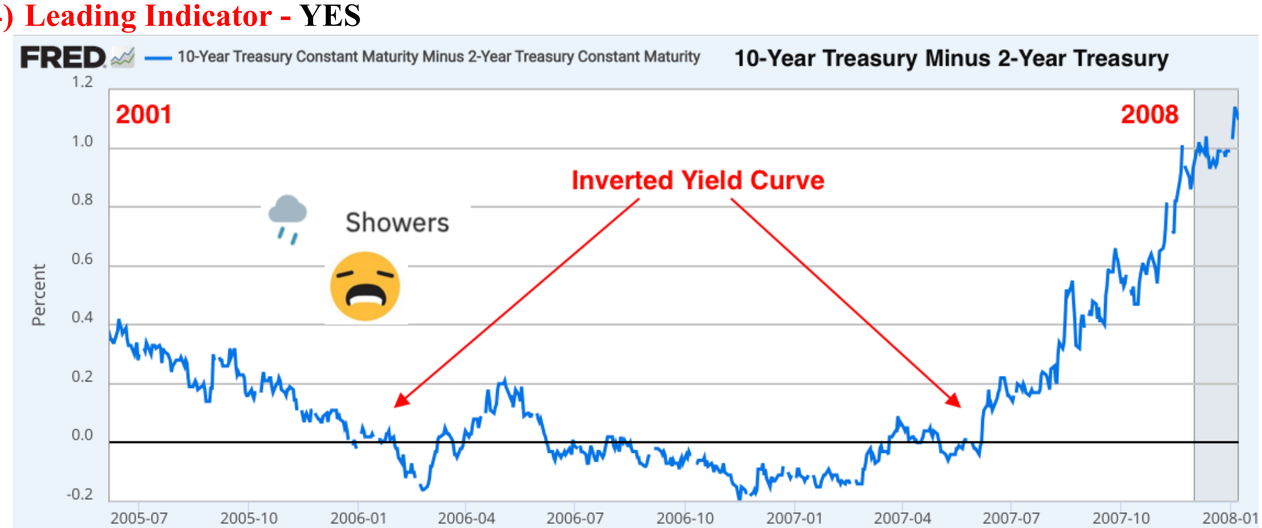

Recession 2008

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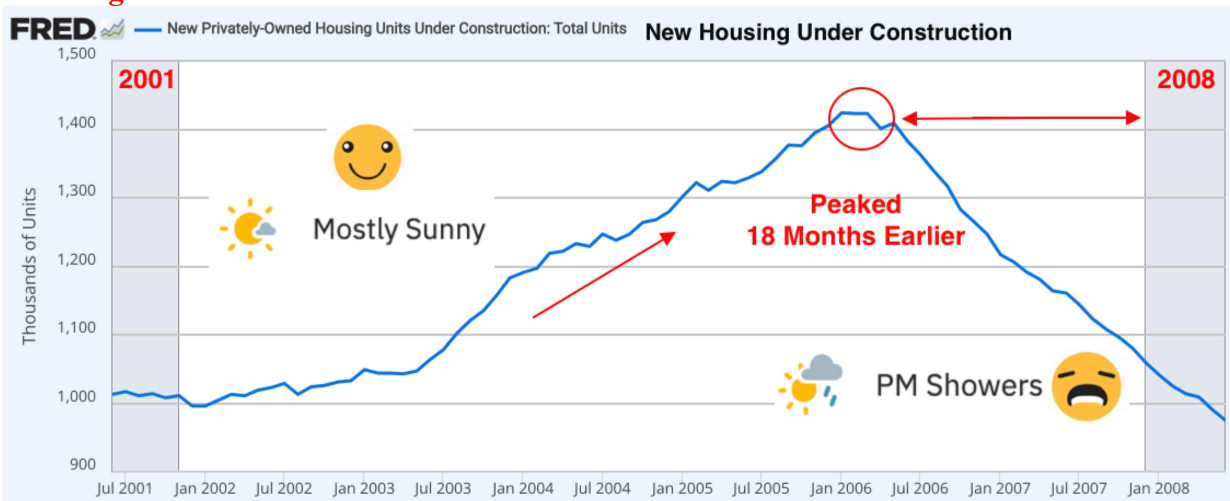

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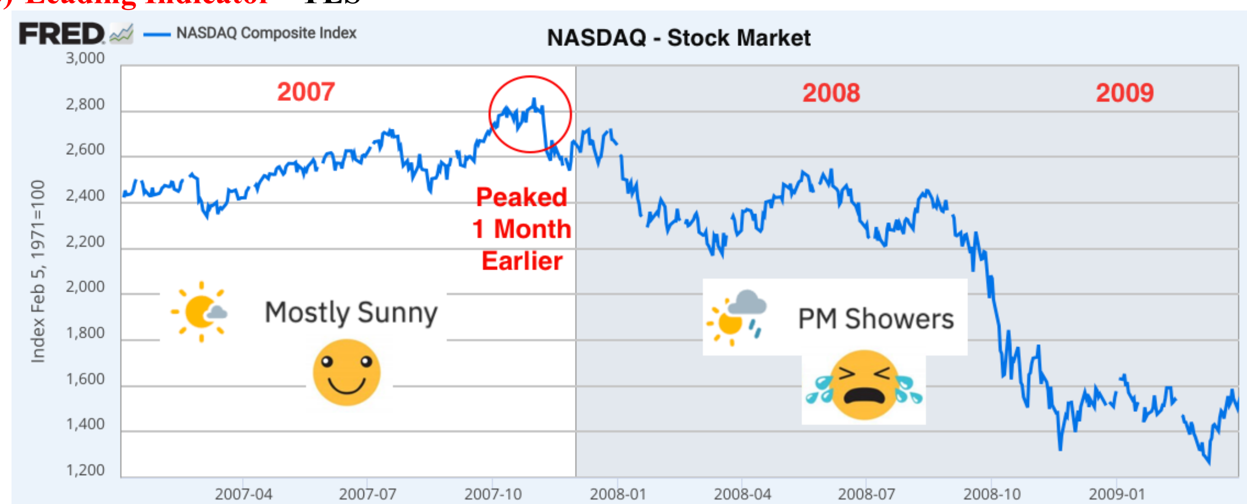

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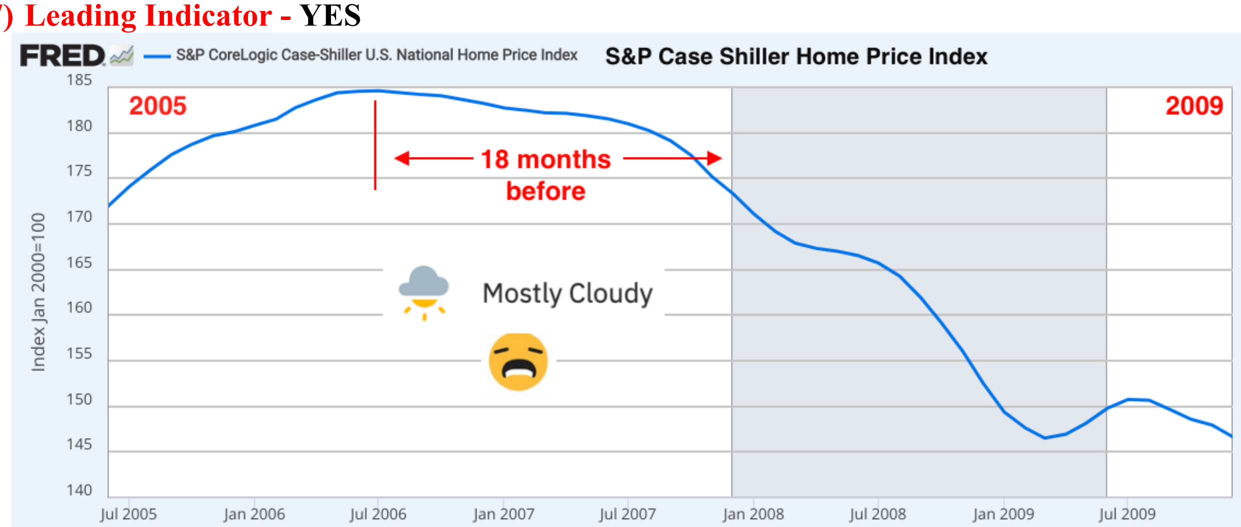
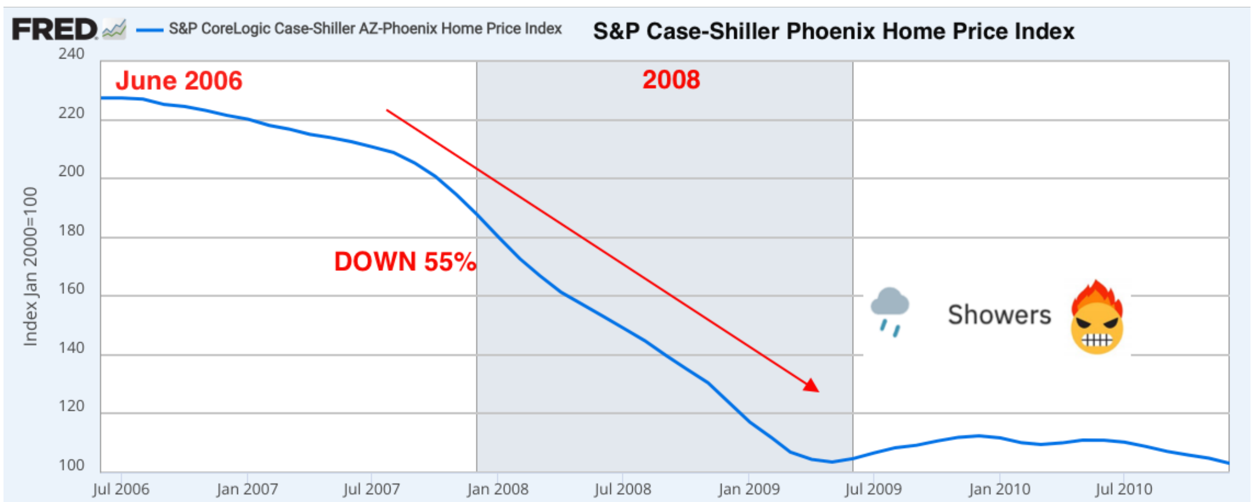


Recession 2008

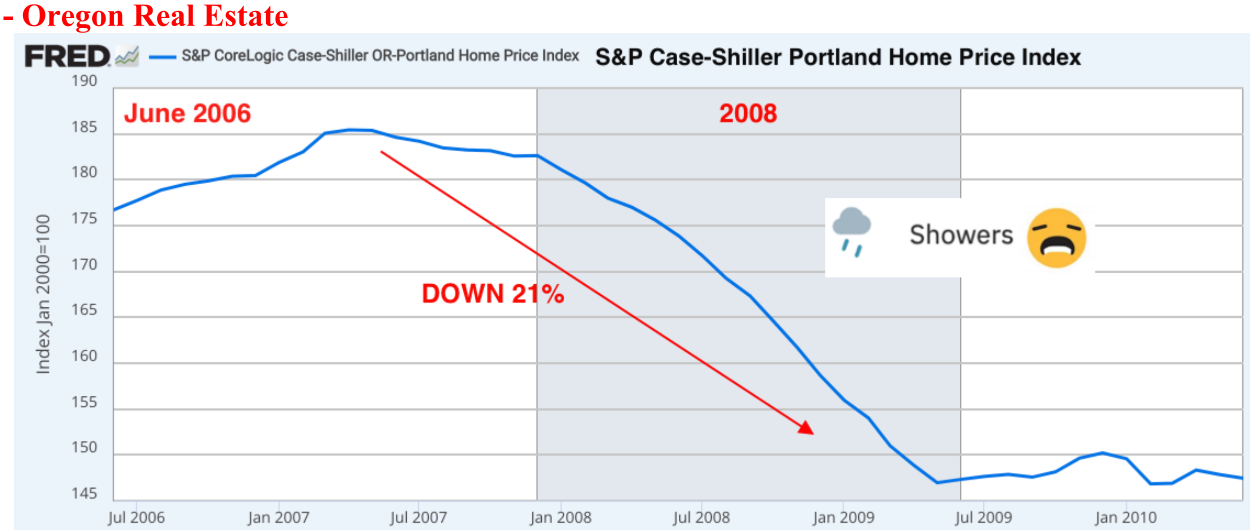
Home prices collapsed in Phoenix

This house in Phoenix was built and first sold in 2006 for $556,000 in 2011 I bought it for $308,000. The price had dropped by 45%. It took almost 15 years to recover its original price.

2008 - Phoenix Real Estate



2008 - Oregon Real Estate



Expansion 2009 to 2020

Federal Debt & Spending Explosion

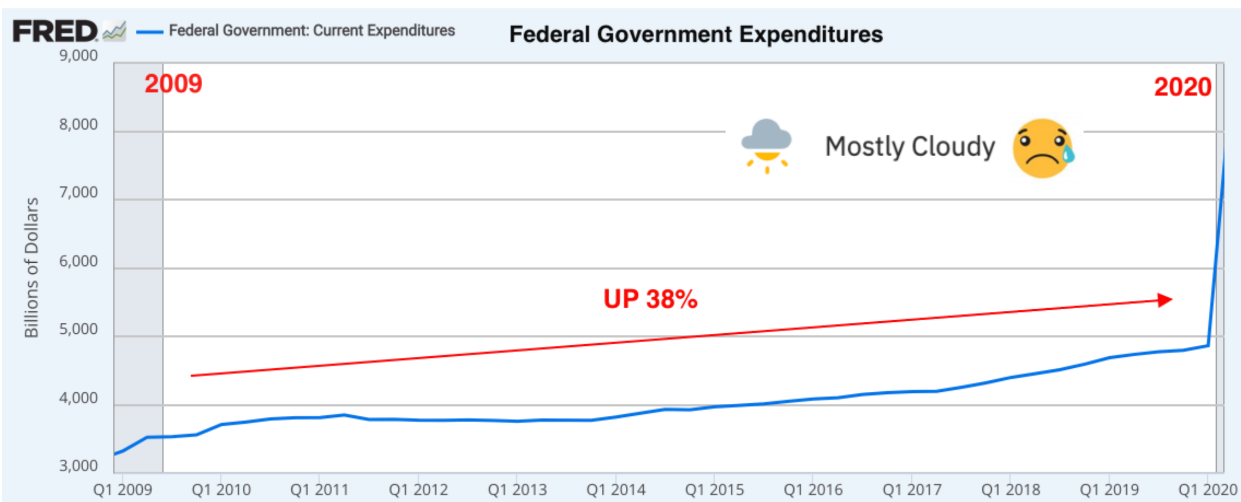
- Insurance Disintermediation
  - 2010 Obama's **"The Affordable Care Act"** was signed into law.

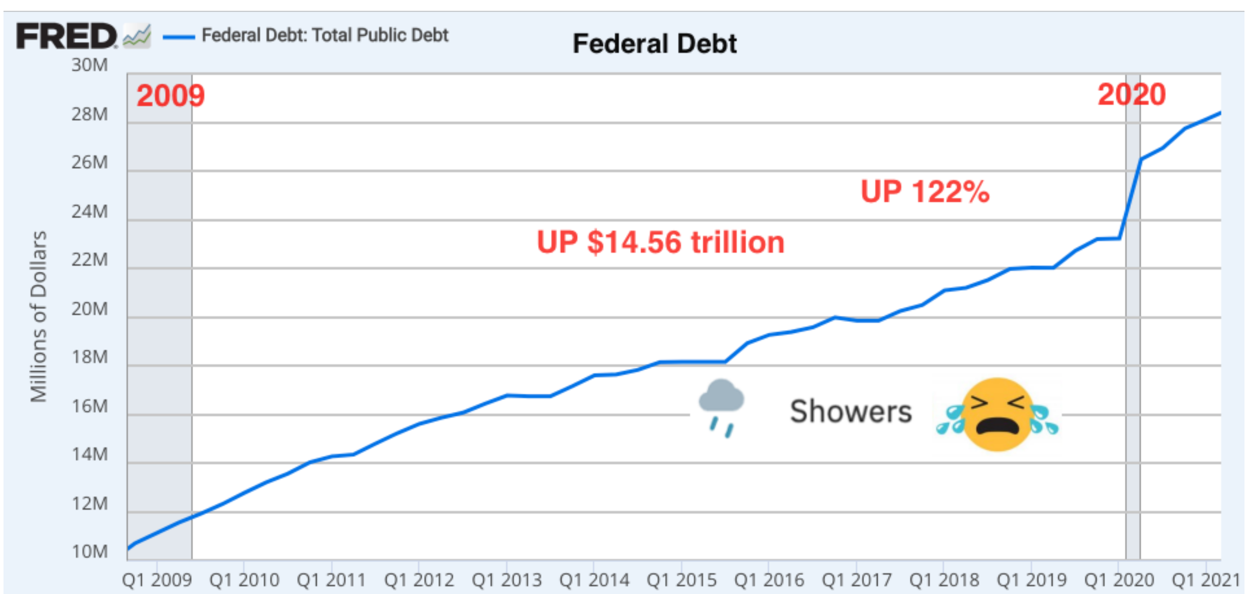
- Retail Disintermediation
  - 2010 Hollywood Video went out of business
  - 2011 Borders Bookstores filed for bankruptcy
  - 2014 Blockbuster Video went out of business

- Retirement, Pension Plan – Disintermediation

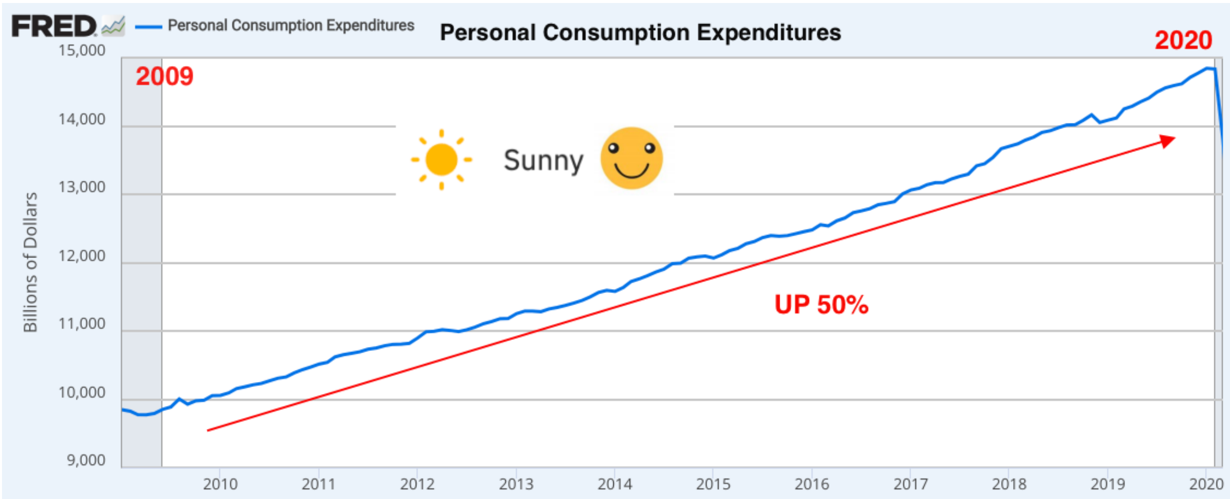
- Federal debt increased **122%** or **$14.56 trillion dollars.**

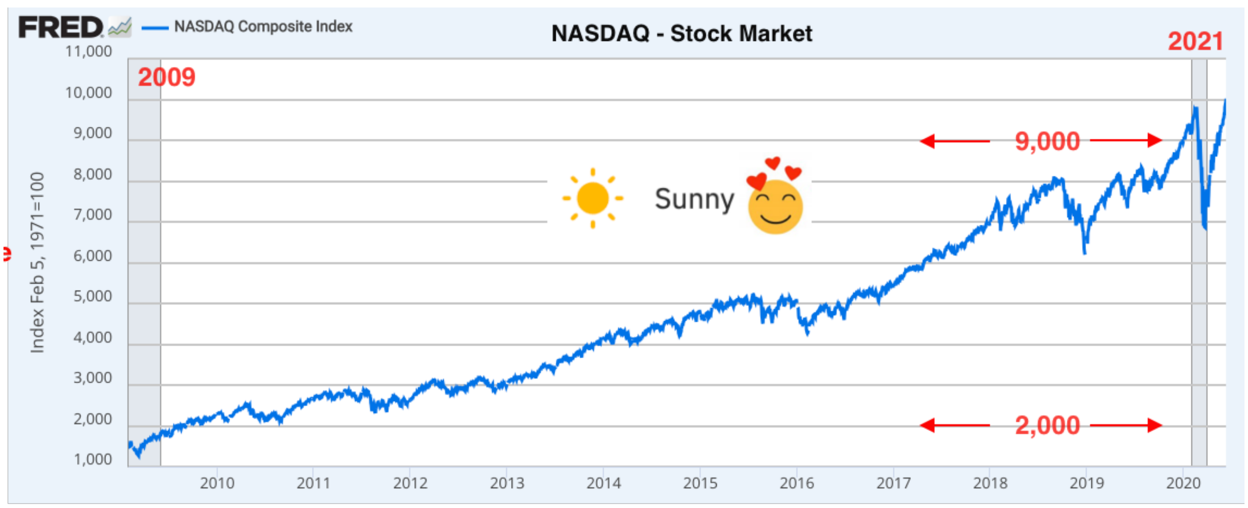
- Federal Government spending increased **38%**

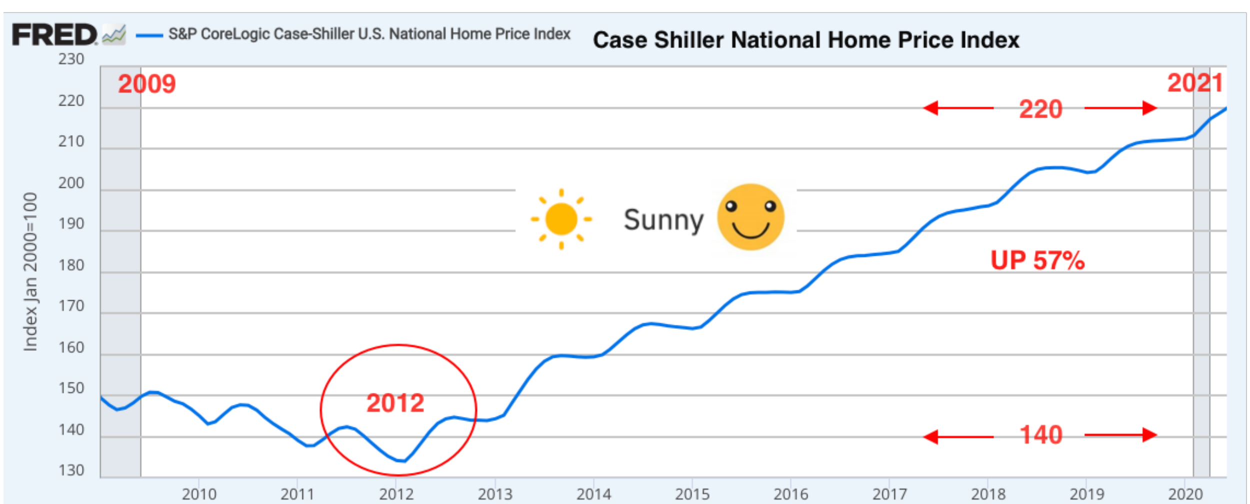




Expansion 2009 to 2020

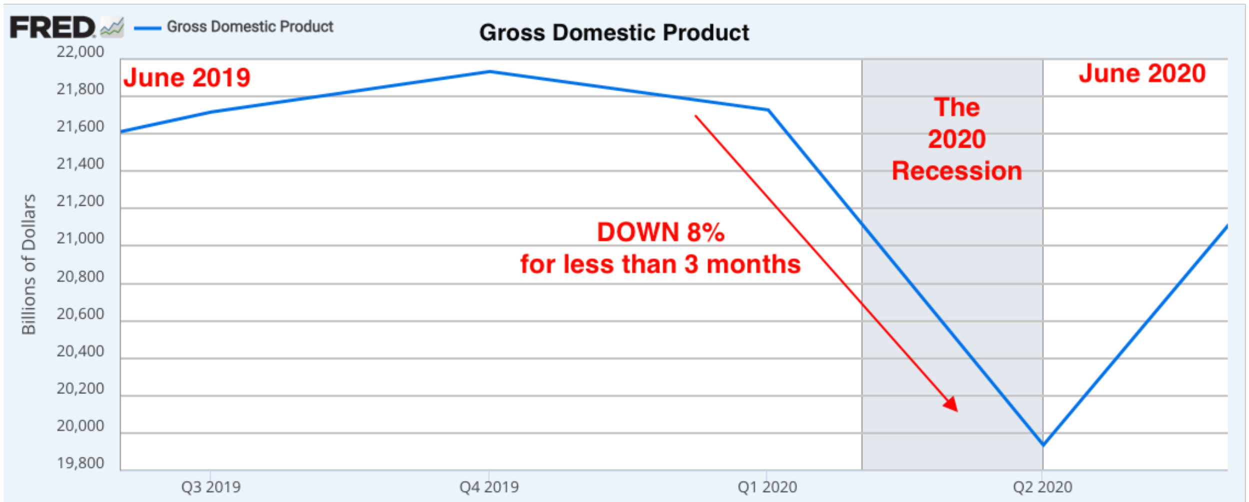






Recession 2020

Covid Pandemic - *The Recession That Never Was*



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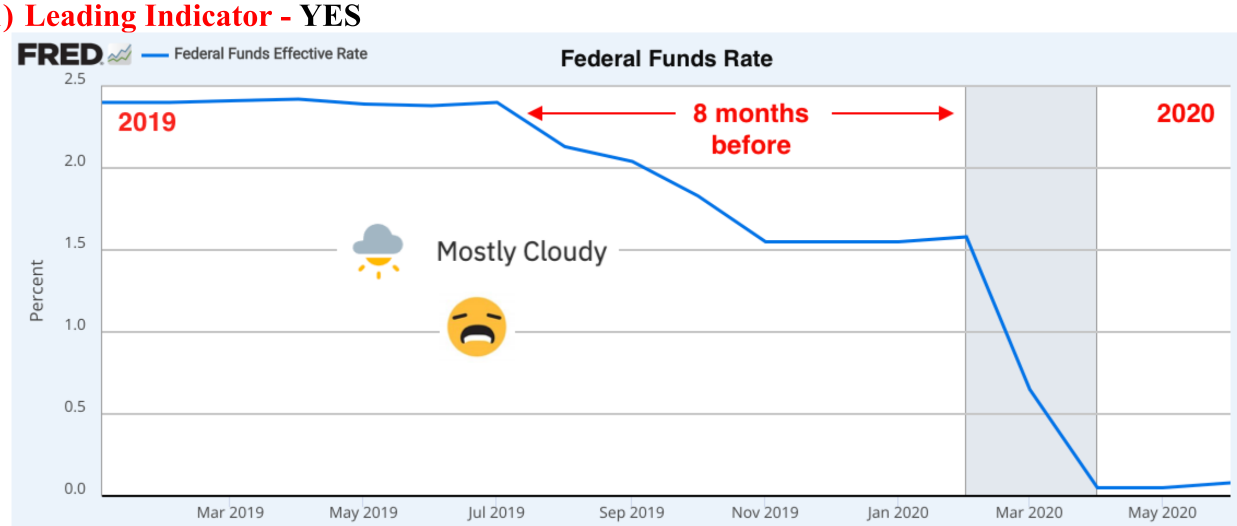

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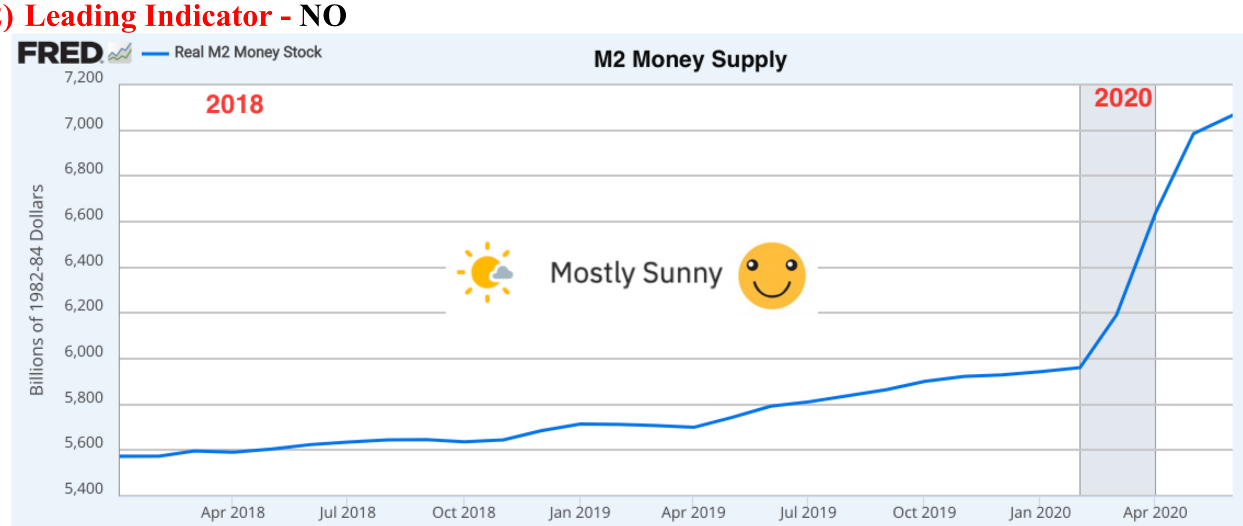

Recession 2020

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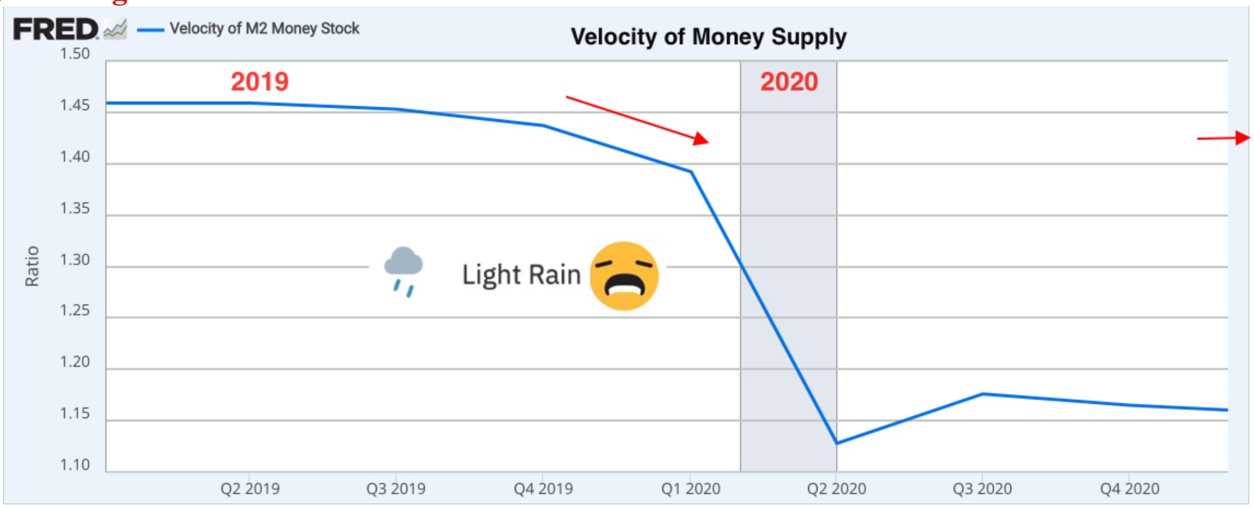
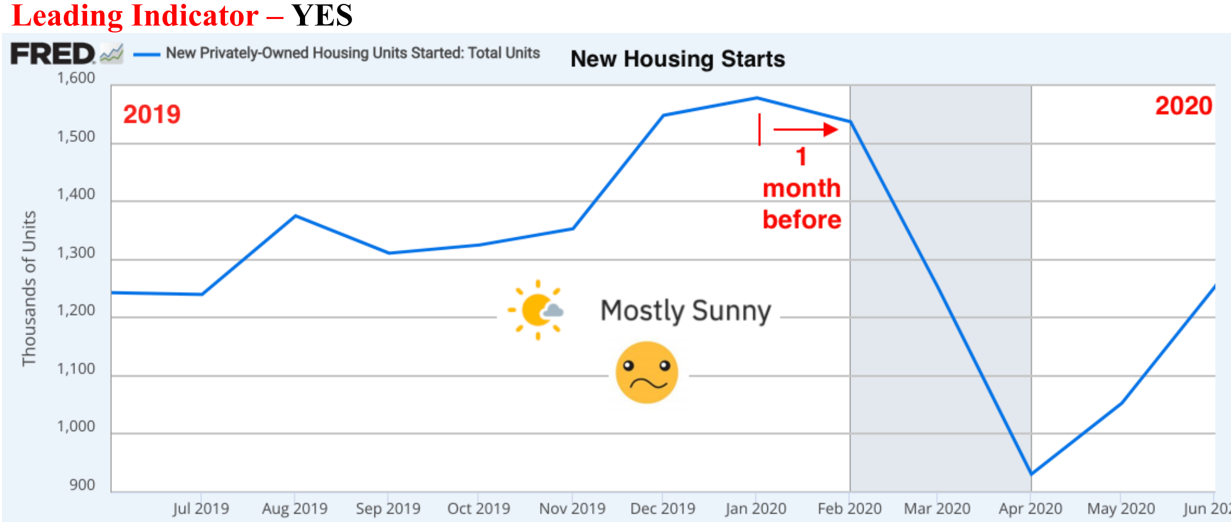


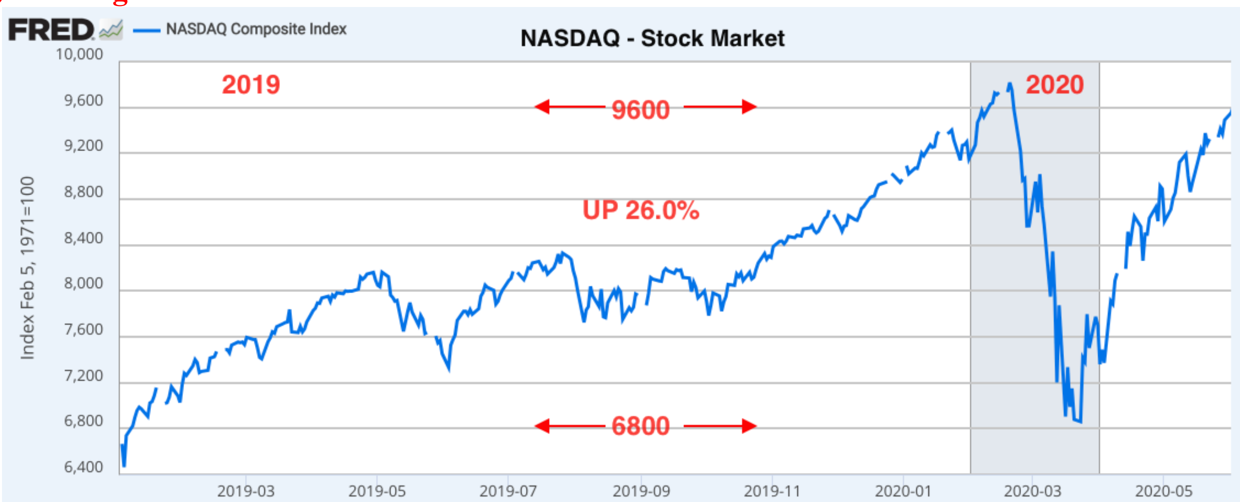
(4) Leading Indicator – YES

(5) Leading Indicator – YES



Recession 2020

(6) Leading Indicator – NO



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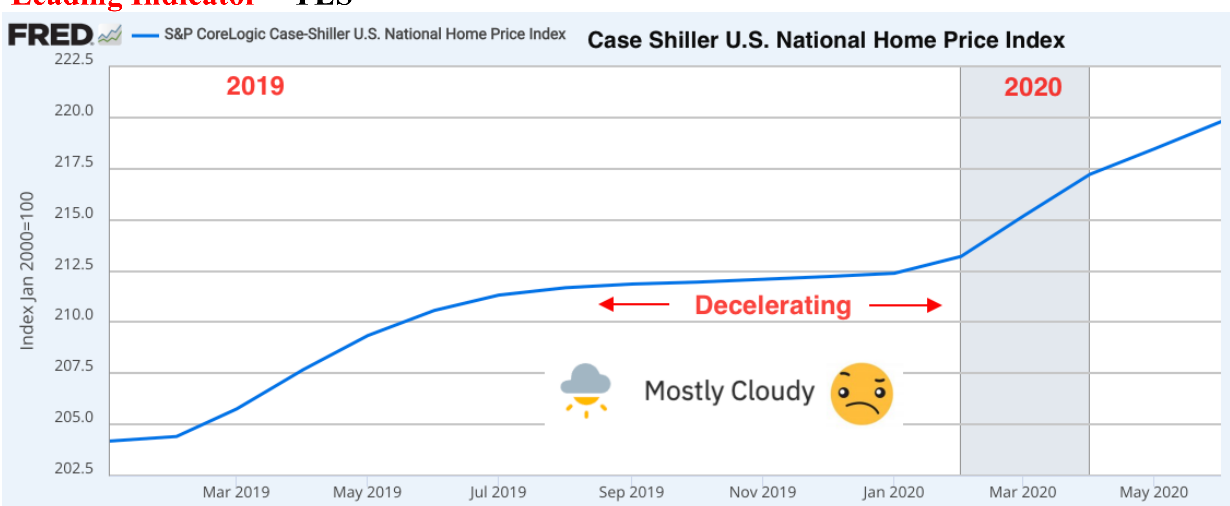


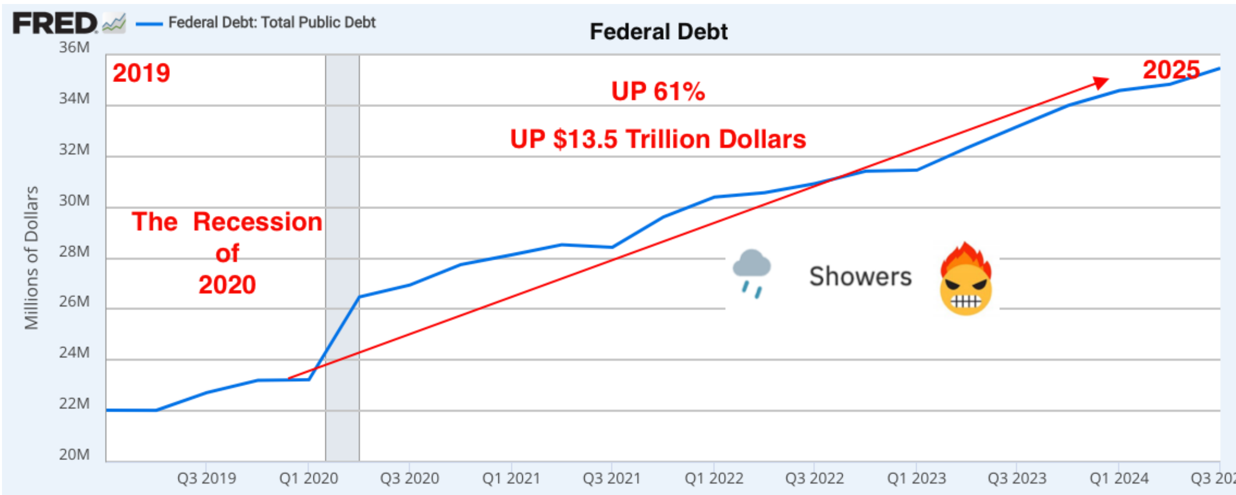
Expansion 2020 to 2024

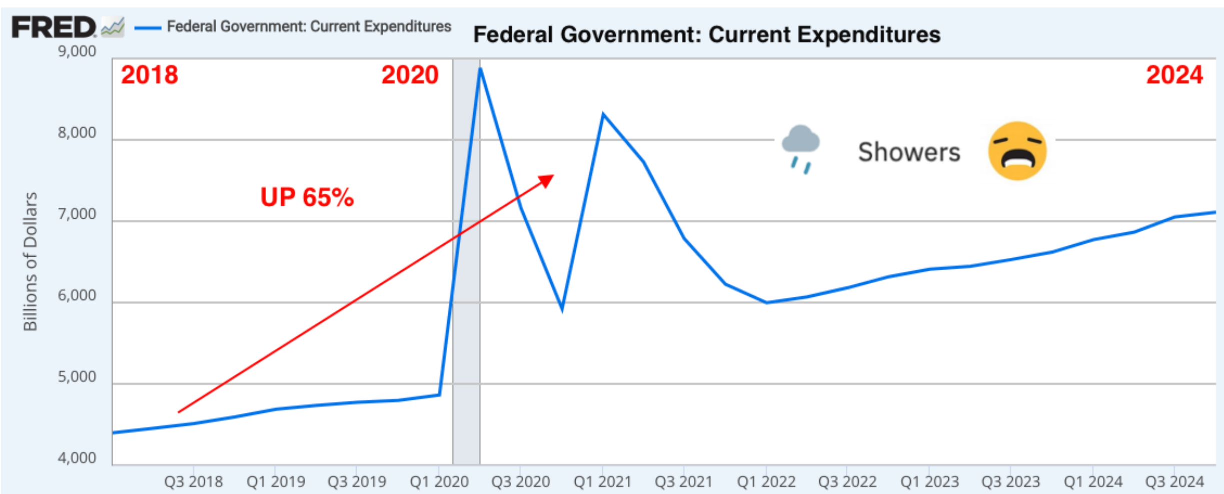
Federal Debt & Spending on Steroids

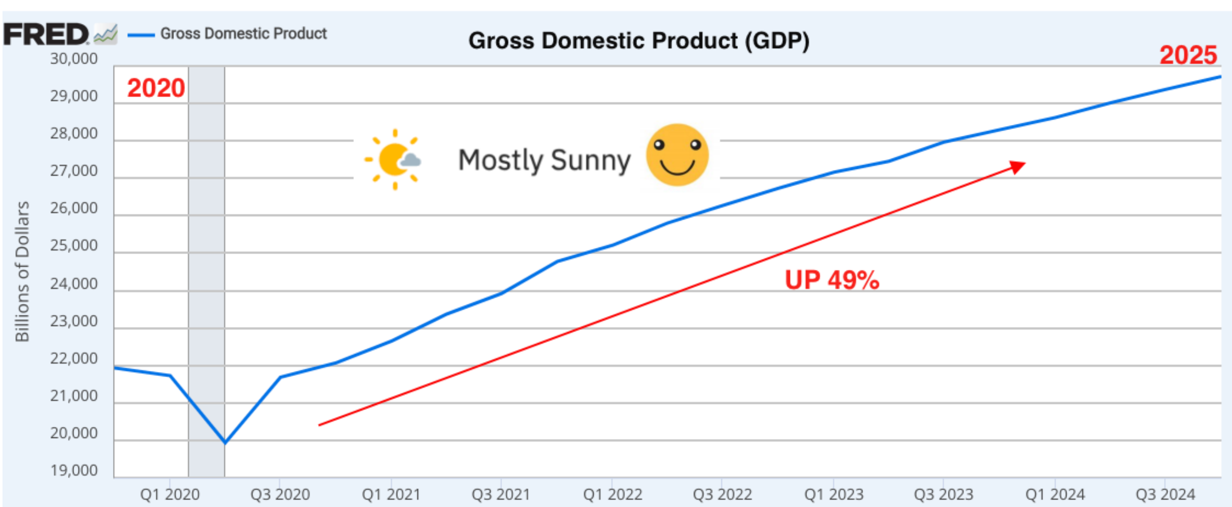
- 2020 to 2024 Federal Government spending increased **46%**
    - In 2020 alone spending jumped **82%**
- Federal debt increased **$13.5 trillion** in just four years.
    - In just 12 months in **2020** Federal Debt to increase **$5 trillion.**
    - In just 12 months in **2022** Federal Debt to increase **$5 trillion**.
    - **2022**, the DOE spent as much as the **Marshall Plan** did after WWII
- Legacy Media – Disintermediation
    - 2022 ABC saw a **24% decline** in viewership
    - 2022 NBC saw a **16% decline** in viewership,
    - 2025 CNN has just 421,000 total viewers per day average
    - 2025 Joe Rogan podcasts has 14.5 million followers on Spotify alone.
        - Overall viewership is between **5-7 million views per day**.
    - Commercial Retail Space – Disintermediation
    - 2024 San Francisco office vacancy climbed to **34%**
    - 2024 Chicago office vacancy climbed to **26%**
    - 2024 Portland office vacancy climbed to **34.7%**

Expansion 2020 to 2024

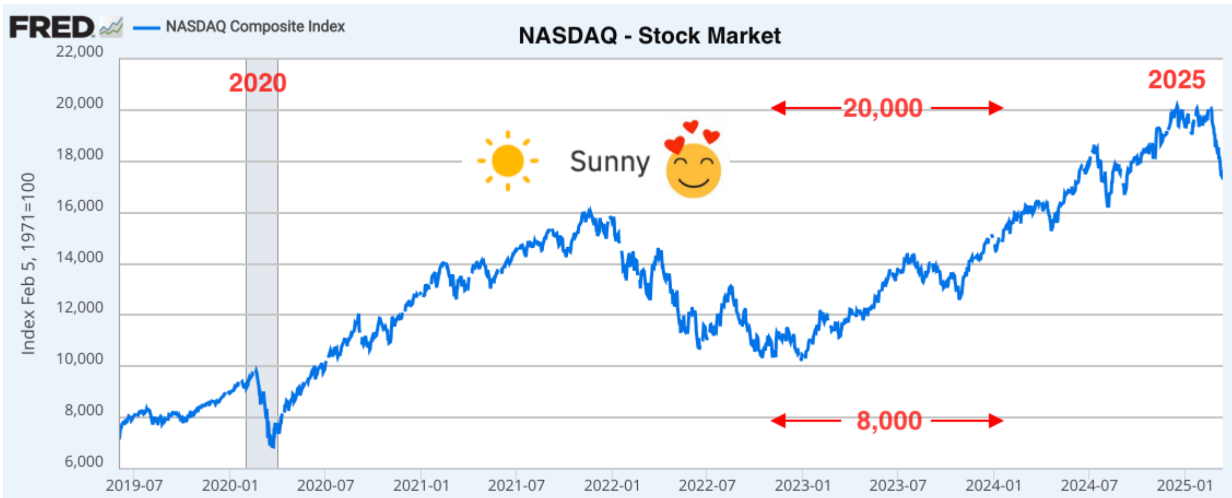
Federal Debt & Spending on Steroids

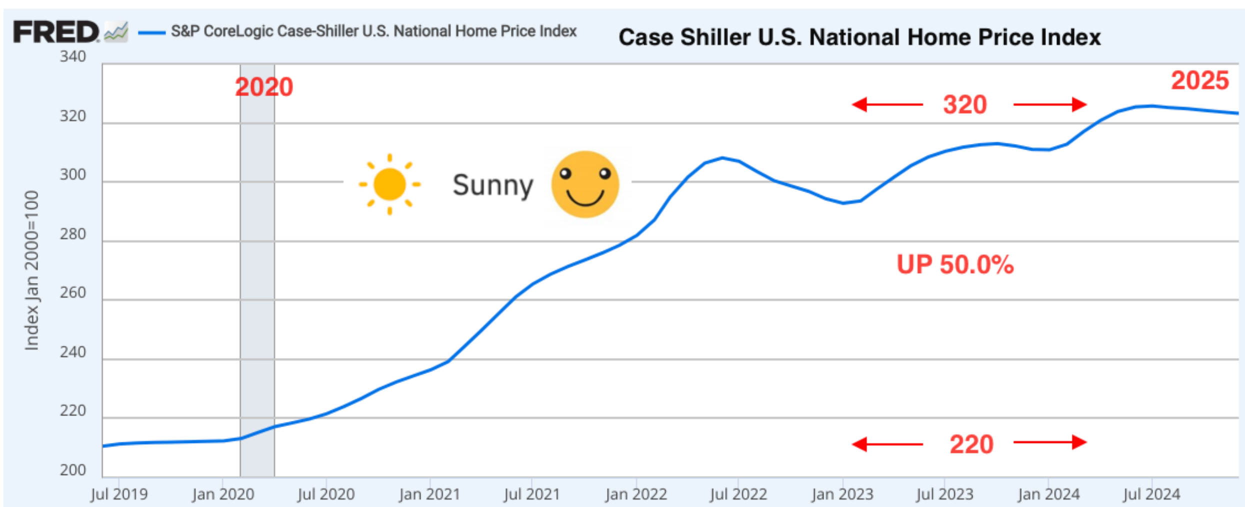


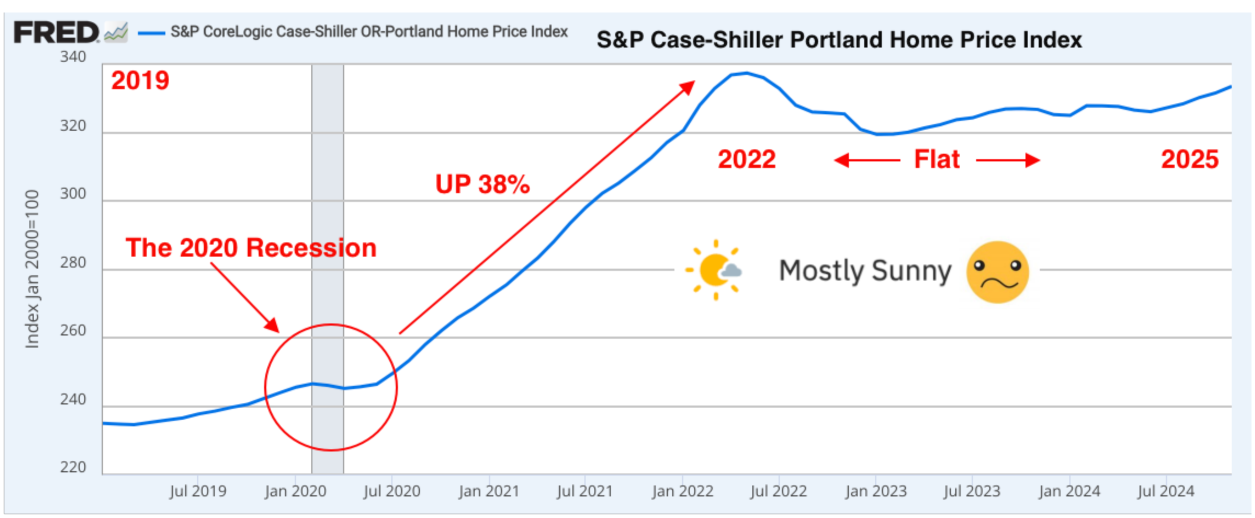




Expansion 2020 to 2024







Expansion 2020 to 2024

The Post-Modern Revolution

1. Globalism
2. World Economic Forum (WEF) – ESG
3. United Nations – DEI
4. WEF & United Nations - Net Zero initiatives
5. SARS-CoV-2 pandemic
    a. Over 7 million people died worldwide
    b. Over 1.2 million people died in U.S.
6. COVID Lockdowns:
    a. Over 23 million people lost their jobs.
    b. Over 9.4 million businesses closed.
7. Mandatory Vaccinations
    a. The spike protein's "furin-cleavage" site in the SARS-CoV-2 was the first of its kind and by all indications, man-made.
    b. Mandatory vaccinations injected synthetic mRNA into the body thus producing viral spike proteins.
8. Higher Education - Critical Theory
9. George Floyd, Minneapolis Riots: 14,562 businesses closed
10. Black Lives Matter, Antifa, Riots: over $2 billion in damages
11. International Mass Migration
    a. Over 12.5 million illegal immigrants entered the U.S.
12. Internet's "The Social Dilemma"

As an economic historian how does all this mesh together? For this 2-hour CE course it's too much to digest but I'll try and give you just a little outline.

The World Economic Forum (WEF) and the United Nations have blurred the lines of demarcation between cultural and/or political topics that have economic consequences. Their written strategic objectives of "Global Citizenship" and "The Great Narrative for a Better Future" are not my opinion or subjective interpretation. ESG or "environmental – social – corporate governance" mesh all this together in a marriage of ideological convection with the United Nations agenda of Global Citizenship. Corporations historically focused strategically on "shareholder value" and making money for owners, today Corporations have shifted to "stakeholder" value which by definition incorporates social and political constructs into their corporate agenda. The "S" in ESG stands for social integration, social integration is exactly the same thing as saying DEI or diversity, equity & inclusion on the social and cultural side of the table. This is essentially saying in very specific terms and without confutation that in today's corporate boardroom's they are focused on social and political issues as a priority over and above shareholder value. The "G" stands for "corporate governance" and they're not talking about shareholders, their talking about "stakeholder" value or social/cultural governance.

Now, having said all that, given a new administration and "Make America Great Again", is this all going the other direction now? I don't have a clue, it's a global initiative so time will tell.

50 Years of Economic History - Summary

1970's

- In 1971, President Nixon ended the gold standard.
- The expansion: money supply & velocity increased
- inflation of the 1970's was due to printing too much money.
- The value of a $1 in 1970 went to 50 cents in 1980.

1980's

- The Federal Reserve stopped printing money.
- Money went where it was treated best.
- Short term money market funds and long term CMOs were introduced.
- Investment dollars left banks and went into the open market.
- American manufacturing went overseas', dropping 41% between 1980 to 2010.

1990's

- In 1991 we had the Savings & Loan Crisis (Req. Q), over 1,000 S&Ls failed.
- The "Internet" was born.
- Stock prices rose over 1,000%
- Residential Real Estate climbed 43%

2000's

- In 2001 the Dot Com Bubble popped.
- Equities remained essentially flat from 2001 to 2008.
- 30-year mortgage interest rates dropped from 8.64% to 5.62%
- Credit Default Swaps lent a hand to subprime mortgage lending.
- Residential real estate climbed 80% from 2000 to 2007.
- Commercial real estate values climbed by 24% due to cap rate compression alone.

2008

- September 15th, 2008, Lehman Brothers went bankrupt.
- The "Credit Default Swap" market imploded.
- Banking counter party trading died completely, resulting in a Worldwide financial market meltdown

2008 - 2020

- Federal Debt increased by $15 trillion dollars.
- GDP increased 50%
- Residential real estate increased 63%
- Equities climbed 300%

2020-24

- The 2020 recession was caused by the COVID pandemic.
- Federal Debt increased by $13.5 trillion dollars.
- 23 million people lost their jobs in 2021.
- 9.4 million small businesses closed during lockdowns in 2021.
- Inflation: CPI up 25%, CPI-food up 31%, CPI- Electricity up 35% CPI-energy up 39%
- Portland has the highest office vacancy in the country at 34.7%