

# All economic signs point to recession

Business journalist Daniel Gross has stated this year, "A recession is defined as a widespread contraction in economic activity lasting more than a few months, and because of the lag in financial data, recessions typically aren't officially declared until long after they start. In short, the United States could already be in one."

The late Russian economist Nikolai Kondratieff figured this out in the 1930s. He was banished to prison in the 1920s for making the argument that there are predictable economic cycles (See graphic).

My interpretation of the Kondratieff wave and other analyses of economic cycles as far back as 1985 indicated a downturn circa 2000. Here we are in 2008, and for sure, we are in a position for an economic adjustment.

At the root of Kondratieff's theory is the rise and fall of commodity prices.

In January 2006, Peter McKay of



## BUSINESS VIEWPOINT

R. Henry Migliore

The Wall Street Journal reported, "The Dow Jones-AIG Index of 20 commodities ended at 171.15, up 17.5 percent, or 25.54 points. Another broad-based measure, the Reuters/Jefferies CRB Index, rose 16.9 percent, or 47.93 points, to finish at 331.83, close to a record."

The trend continues today. This spring found all commodity prices at record highs: aluminum up 27.1 percent, copper up 25.1 percent, corn up 29.5 percent, unleaded gasoline up 33.5 percent, gold up 10.1 percent, lumber up 4.5 percent, natural gas up 51.9 percent, heat-

ing oil up 42.8 percent, crude oil up 34.5 percent, platinum up 40.5 percent, silver up 19.4 percent and soybeans up 11.1 percent.

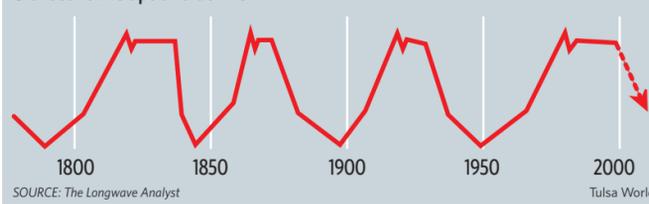
My research indicates that economic cycles can be traced as far back as the late 1200s in Great Britain. Since 1800, the United States has had four definite cycles. All the signals indicate our economy is ready for a correction. We are in the fourth quadrant of Kondratieff's curve.

So far this summer, the stock market is trading in the mid-11,000 range, the price of oil is close to \$140 a barrel (compared with April 2007, when it was \$62.26) and annual Chinese economic growth over the last decade is in the 15 percent range. The U.S. jobless rate recently climbed the most in 22 years to reach 5.5 percent, and the dollar is down significantly against most other world currencies.

In a CNBC interview June 26, legendary investor Warren Buffett said he sees a worsening economy.

## Kondratieff waves

U.S. economic ups and downs



SOURCE: The Longwave Analyst

A junior high school civics class could figure out the current solution. A government policy that makes the United States energy self-sufficient solves the long-term problem. We don't need Saudi, Kuwaiti, Russian or Iraqi oil.

R. Henry Migliore is president of Managing for Success, an international consulting company. He was professor of strategic planning and management at Northeastern State University/Oklahoma State University-Tulsa from 1987 to 2002. He served as a professor

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The views expressed here are those of the author and not 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; outlook for the city, state or industry; or discuss a topic of interest in a particular area of expertise. Articles should not promote the writer's business or be overly political in nature.



South Korean doctors eat U.S. beef during a sampling party Wednesday at a restaurant in Seoul to demonstrate that it is safe to consume. South Korea has been roiled by almost-daily street protests over the importation of U.S. beef because of fears over mad cow disease. LEE JIN-MAN/Associated Press

## Korean doctors eat U.S. beef

Officials want to reassure a wary public of its safety.

BY JAE-SOON CHANG  
Associated Press

SEOUL, South Korea — Sitting at tables with built-in grills, leading South Korean doctors and business executives ate U.S. beef on Wednesday in a bid to dispel public health fears.

The 19 physicians and executives ate American sirloin, with one top doctor saying it "tastes good and tender" and telling fellow South Koreans not to worry about getting mad cow disease from eating U.S. beef.

"There is no food whatsoever that we can say is 100 percent safe," said Choo Soo-ho, leader of the Korean Medical Association, South Korea's largest doctors' lobby. "But I can say the chance of catching mad cow disease (from eating U.S. beef) is nearly zero percent."

South Korea's agreement in April to resume imports of

U.S. beef sparked near-daily street protests over mad cow disease concerns because the deal called for scrapping most restrictions the country had previously maintained over fears of the illness.

Despite repeated government assurances of the safety of U.S. meat, fears have been fanned due to false and sensational media reports along with unsubstantiated rumors posted on the Internet, suggesting the disease can spread through the air.

Fears became so intense that American beef is considered by some Koreans as akin to poison. Local media reported high-school girls crying over mad cow fears.

Unrelenting protests forced South Korea's government to negotiate an amendment to the April deal last month to import beef only from younger cattle that are considered less at risk of the disease. Still, smaller protests have continued.

U.S. beef went on sale early this month, but is still not widely available because large supermarket chains

and restaurants are reluctant to sell or serve it for fear of a public backlash.

Choo said he organized the event with other doctors' and business associations to help people overcome fears of mad cow disease that he said were "not verified and sometimes exaggerated" and are now threatening to hurt the nation's economy.

"I love meat. This tastes good and tender," Choo said, dipping a piece of beef in a small salt dish.

"Eat it without any uneasiness. I can guarantee (the safety) by staking the honor of the Korean Medical Association," Moon Tai-joon, honorary chairman of the doctors' association, told reporters amid a barrage of camera flashes and smokes from the grill at his table.

The Korea Chamber of Commerce and Industry, a major business lobby, co-organized the event without government help in an effort to end the "useless argument" over U.S. beef so the nation can concentrate on overcoming economic difficulties, said

spokesman Park Jong-kab.

The event, at a 30-table beef restaurant in western Seoul which began serving U.S. beef Saturday, drew wide media attention. Choo and Sohn Kyung-sik, leader of the business lobby, had to stop eating several times to pose for cameras.

Owner Kim Chang-jo, 58, said consumer reaction had been positive.

"We've had about 30 calls a day inquiring about the location of our restaurant," Kim said. "There are many people who say they would buy and eat U.S. beef because it's cheaper and tastes good."

Kim's restaurant, called "Orae Drim" in Korean, serves U.S. beef for about a third of the price of domestic beef. Seasoned rib meat is sold for \$8.50, while the same cut meat from domestic cattle usually sells for \$25 to \$30.

"Our customers say they have the right to choose, and whether we should eat U.S. beef or not should be left up to people's own discretion," Kim said.

## TB-exposed cows head to slaughter

One dairy farm may lose 50 years of genetic development.

BY TRACIE CONE  
Associated Press

FRESNO, Calif. — More than 4,800 dairy cows at risk of carrying tuberculosis are being slaughtered this week in central California, where nearly 16,000 cattle in the country's largest milk-producing region have been quarantined, federal officials said.

Undersecretary of Agriculture Bruce Knight met privately with local dairy operators Tuesday along with the state veterinarian and other industry officials monitoring three new cases of TB recently discovered in Fresno County dairies.

Federal and state agriculture officials were still tight-lipped about the identities and locations of the three dairies where cows tested positive for the disease, which can be transmitted to humans and other mammals through the air or through drinking unpasteurized milk from an infected cow.

The discovery of the highly contagious respiratory disease has prompted changes in interstate shipping regulations.

Pasteurization kills the TB bacteria, but trade organizations fret about the financial impact on California's \$7.3 billion dairy industry.

"One of the concerns is with trade agreements," says Ray Souza, a Turlock dairy operator and board member of the Western United Dairymen, a trade group that represents 1,100 dairies across the state. "Things like this can be used to renegotiate."

The owner of one dairy has accepted a USDA buy-out of up to \$3,000 a head, and his cows are headed for slaughterhouses. The two other dairies are weighing whether to operate under strict quarantines, which can last for years.

One of the affected dairies milks more than 10,000 cows and sells semen and embryos from high-production cows and bulls internationally. The operation faces losing 50 years of genetic development if the dairy operator chooses to slaughter his cattle, said Michael March, chief executive of Western United Dairymen.

"It's tragic when you have that kind of investment and build up that legacy and genetic bloodline," said Marsh. "He's facing a very difficult choice."

A routine inspection of a slaughterhouse cow in January found TB lesions on its lymph nodes, prompting the California Department of Food and Agriculture's inspection of 150,000 cattle so far. Ninety percent of infected cattle do not show symptoms, which include weight loss, cough and rough coats.

California had been free of the disease since 2005, two years after cases detected in Kings and Tulare counties prompted the testing of 876,000 cattle. As a result, more than 8,000 head in two infected herds were slaughtered that year.

"Because we don't have a good test and it can be spread so easily, unfortunately they are guilty until proven innocent," said Andrew House, spokesman for U.S. Rep. Devin Nunes, whose constituents include dozens of dairy operators. "That's especially tough if you have a dairy herd with 10,000 animals and only one confirmed case."

## REAL ESTATE LEASES

New York Fashions renewed its lease for 3,600 square feet in Memorial Park Shopping Center, 4955-K S. Memorial Drive, through GBR Properties.

Everest Sciences Corp. leased 7,200 square feet at 7737 Center, 7737 E. 42nd Place, through Bauer & Associates Inc.

Affinity Construction LLC leased 927 square feet in Fountain Plaza, 4853 S. Sheridan Road, through Bauer & Associates Inc.

Submit area leasing information to Tulsa World real estate reporter Robert Evatt via e-mail at robert.evatt@tulsaworld.com.

FOREIGN EXCHANGE					
MAJORS	CLOSE	CHG.	%CHG.	6MO. AGO	1YR. AGO
USD per British Pound	1.9818	+0.129	+6.5%	1.9572	2.0151
Canadian Dollar	1.0111	-0.0091	-0.9%	1.0111	1.0484
USD per Euro	1.5746	+0.0089	+0.57%	1.4663	1.3623
Japanese Yen	106.83	-0.62	-0.58%	109.47	123.33
Mexican Peso	10.3093	-0.213	-2.1%	10.9558	10.7582
EUROPE/AFRICA/MIDDLE EAST					
Israeli Shekel	3.2248	-0.0378	-1.17%	3.7885	4.2185
Norwegian Krone	5.1125	-0.260	-5.1%	5.3856	5.8180
South African Rand	7.6982	-0.0658	-0.85%	6.8700	6.9669
Swedish Krona	6.0060	-0.127	-2.1%	6.4276	6.7477
Swiss Franc	1.0291	-0.044	-4.3%	1.1144	1.2161
ASIA/PACIFIC					
Australian Dollar	1.0436	-0.054	-5.2%	1.1357	1.1624
Chinese Yuan	6.8634	-0.000	-0.0%	7.2646	7.6025
Hong Kong Dollar	7.8064	-0.000	-0.0%	7.8074	7.8159
Indian Rupee	43.290	-0.000	-0.0%	39.176	40.245
Singapore Dollar	1.3589	-0.0059	-0.43%	1.4322	1.5199
South Korean Won	1028.00	+1.50	+0.15%	937.21	920.81
Taiwan Dollar	30.49	-0.000	-0.0%	32.49	32.77

ENERGY FUTURES					
EXP.	OPEN	HIGH	LOW	SETTLE	CHG.
HEATING OIL (NYMEX)					
42,000 gal. cents per gal					
Aug 08	385.57	390.20	382.05	385.16	+3.14
Sep 08	389.00	393.93	385.94	389.01	+2.98
Oct 08	392.92	396.52	390.60	392.86	+2.88
Nov 08	396.50	401.57	394.05	396.51	+2.98
Est. sales 37,362. Tue's sales 82,972					
Tue's open int. 215,338, -3,246					
LIGHT SWEET CRUDE (NYMEX)					
1,000 bbl. -dollars per bbl.					
Aug 08	136.50	138.28	135.34	136.05	+0.1
Sep 08	136.38	139.90	136.90	136.72	-0.1
Oct 08	135.72	139.49	136.50	137.19	-0.2
Nov 08	137.96	139.65	137.10	137.63	-0.3
Est. sales 328,194. Tue's sales 681,525					
Tue's open int. 1,316,278, +3,348					
NATURAL GAS (NYMEX)					
10,000 mms btu's, \$ per mms btu					
Aug 08	12.201	12.487	11.907	12.006	-3.62
Sep 08	12.158	12.568	11.990	12.090	-3.67
Oct 08	12.234	12.676	12.097	12.202	-3.58
Nov 08	12.600	12.989	12.454	12.540	-3.30
Est. sales 130,469. Tue's sales 243,904					
Tue's open int. 971,678, -3,662					
NY HARBOR GAS BLEND (NYMEX)					
42,000 gallons -dollars per gallon					
Aug 08	3.3800	3.4305	3.3577	3.3808	+0.177
Sep 08	3.4000	3.4405	3.3750	3.3963	+0.172
Oct 08	3.2920	3.3380	3.2689	3.2893	+0.092
Nov 08	3.3005	3.3405	3.2801	3.2988	+0.087
Est. sales 37,656. Tue's sales 73,936					
Tue's open int. 246,370, -1,524					

AGRICULTURE FUTURES					
EXP.	OPEN	HIGH	LOW	SETTLE	CHG.
CORN (CBOT)					
5,000 bu minimum -cents per bushel					
Jul 08	681	695	675.25	683	-9.75
Sep 08	693	707.75	687	694.75	-9.75
Dec 08	711.25	725.75	704.75	712.75	-9.75
Mar 09	728	742.50	722	729.75	-10.25
Est. sales 410,761. Tue's sales 410,761					
Tue's open int. 1,282,514, -7,190					
COTTON 2 (NYBT)					
50,000 lbs. -cents per lb.					
Jul 08	66.23	66.81	64.96	66.25	+1.31
Oct 08	69.00	70.61	68.95	70.31	+1.50
Dec 08	71.80	73.81	71.76	73.50	+1.76
Mar 09	78.00	78.92	77.16	78.77	+1.73
Est. sales 17,853. Tue's sales 28,748					
Tue's open int. 218,245, -783					
OATS (CBOT)					
5,000 bu minimum -cents per bushel					
Jul 08	427	427	423.50	423.50	-3.50
Sep 08	437.25	442	431	433.50	-3.50
Dec 08	453.50	466	445.50	449.50	-3.50
Mar 09	470	470.75	465.50	465.50	-3.50
Est. sales 1,920. Tue's sales 1,920					
Tue's open int. 17,092, -497					
SOYBEAN MEAL (CBOT)					
100 tons -dollars per ton					
Jul 08	432.70	436.50	424.00	435.50	+10.40
Aug 08	427.30	431.00	419.00	430.00	+12.20
Sep 08	423.80	426.00	415.00	426.00	+12.20
Oct 08	414.90	417.20	404.80	417.20	+14.40
Est. sales 64,720. Tue's sales 64,720					
Tue's open int. 220,067, -2,938					

AGRICULTURE FUTURES					
EXP.	OPEN	HIGH	LOW	SETTLE	CHG.
SOYBEAN OIL (CBOT)					
60,000 lbs. -cents per lb.					
Jul 08	63.65	64.40	63.33	63.78	+4.0
Aug 08	63.77	64.55	63.37	63.95	+4.1
Sep 08	64.02	64.89	63.77	64.31	+4.1
Oct 08	64.38	65.19	64.21	64.65	+3.9
Est. sales 78,831. Tue's sales 78,831					
Tue's open int. 260,110, -3,908					
SOYBEANS (CBOT)					
5,000 bu minimum -cents per bushel					
Jul 08	1575.50	1583	1565	1578	+1.7
Aug 08	1569.75	1574.75	1549	1572	+2.3
Sep 08	1562	1567.25	1538	1564.75	+26.75
Nov 08	1553.75	1560	1529	1557	+27.50
Est. sales 181,844. Tue's sales 181,844					
Tue's open int. 471,989, -5,905					
WHEAT (CBOT)					
5,000 bu minimum -cents per bushel					
Jul 08	814	829	811	814	-9.25
Aug 08	827.25	844	821.25	825.75	-10.75
Sep 08	851.25	866.75	844.50	849.25	-10.50
Mar 09	871.75	886.25	867	871.75	-10.25
Est. sales 84,508. Tue's sales 84,508					
Tue's open int. 328,938, -2,049					
WINTER WHEAT (KCBT)					
5,000 bu minimum -cents per bushel					
Jul 08	848	848	837	839	-1.0
Sep 08	861	862	848	852.50	-8.75
Dec 08	883	885	871	876.25	-7.75
Mar 09	896	896.50	885	886	-7
Est. sales 8,309. Tue's sales 15,693					
Tue's open int. 101,263, +1,591					

AGRICULTURE FUTURES					
EXP.	OPEN	HIGH	LOW	SETTLE	CHG.
CATTLE (CME)					
40,000 lbs. -cents per lb.					
Aug 08	102.00	102.97	101.80	102.55	+4.5
Oct 08	109.00	109.80	108.55	109.65	+8.3
Dec 08	112.00	112.85	111.65	112.40	+4.8
Feb 09	112.90	113.90	112.55	113.85	+8.0
Est. sales 24,021. Tue's sales 64,719					