CHAPTER 1

The Plain-Old Normal

Yes Sir, Sir John

"The four most expensive words in the English language are, 'This time it's different.'" So saith Sir John Templeton (1912–2008), forever and ever, amen. Of course, he was only talking about investing. Or maybe spirituality—or maybe both.

To say Sir John is legendary is an injustice to the word *legendary*. He was a mutual fund pioneer—founded and built one of the first big firms. He was a global investing pioneer, too—doing global for clients before anyone did. Sir John had ice water in his veins and really lived the idea: Don't follow the herd. He knew to be greedy when others were fearful and vice versa before Buffett made that his. He never believed in chart voodoo, no matter how trendy it was. He was firmly grounded in fundamentals. He believed in what he called *bargains*.

I was fortunate to meet Sir John several times, and always paid him a lot of attention (not just because I realized we shared the same birthday almost a half century apart). To me, he was personal. He was also humble, understated, unflappable, soft-spoken, courtly, civil and gentlemanly in all circumstances. He was and is an ideal role model for almost anyone—I don't care who you are.

Sir John was simply an all-around great guy. He gave heavily to charitable foundations (many he established himself), among other things the world's largest financial prize, the Templeton Prize in Religion. He was thrifty—preferred driving junky used cars instead of being chauffeured in a limousine. He flew coach. He was knighted (through no fault of his own) but down-to-earth. He played a mean game of poker—put himself through Yale on his winnings. He, like me, thought the US government was a lousy steward of his, yours and his employees' money, so he bolted for the Bahamas. He also built an ongoing business interest, which itself helped launched many thousands of good careers in a well-paying industry—lots of smart folks learned the business at Sir John's knee—not to mention the countless numbers of investors who got wealthier investing with him. It was his success that first made me envision building a big investment firm.

He was a stunning spiritual thinker. If you can ever get your hands on a copy of his long-out-of-print spiritual book, *The Humble Approach*, I assure you, whatever your spiritual views, it will impact them somehow. Sir John was a deep, deep thinker.

But to my mind, one of his greatest contributions was that admirably short admonition. That if you think, "This time it's different," you're in all likelihood dead wrong and almost surely about to cost yourself dearly.

This isn't to say history repeats perfectly. It doesn't—not exactly. That's not what Sir John meant. But a recession is a recession. Some are worse than others—but we've lived through them before. Credit crises aren't new, nor are bear markets—or bull markets. Geopolitical tension is as old as mankind, as are war and even terror attacks. Natural disasters aren't new! And this idea that natural disasters are bigger, badder and more frequent now simply isn't true. Only human arrogance allows us to believe we're living in some new, unique age. Sure, we are—just like every previous generation did. And in that sense, Sir John understood the great value of studying and remembering history. Without that history anchor, you have no context to understand the here-and-now or any way to determine what's reasonable to expect in the future. Sir John was a historian in a world in which most market practitioners' sense of history is largely limited to their career span.

Sir John also knew then what every good investor should know now (but they don't because they forget): Humans don't evolve fast. We don't! The same things that freaked us out during the early Mesopotamian market days are the types of things freaking us out in the twenty-first century. And because human nature is a slowly evolving beast, the scenery can change, but we still have the same basic reactions to things.

We have the same reactions because *we don't remember* very well at all. My line on this subject is that societally, we're like chittering chimpanzees with no memories. We chitter about whatever without any sense of history, data or analysis. Sir John was exquisite with all three and knew we falsely believe every recession that hits is more agonizingly painful than the last. Every credit crisis we live through we think beats all the rest. (Anyone who thinks the 2008 credit crisis was history's worst knows zero about nineteenth-century history. Zippo!) Behaviorally, this is evolution's gift to humanity so we don't give up in despair.

And that's why Sir John's admonition that *it's never different this time* is so eternally useful. No matter how big and scary something seems, we've almost always been through something similar before. And if you can remember that and find those times and learn the lessons from them, you can know better how to react—or not react. You can know that it's never as bad or as great or as lasting as your Swiss-cheese monkey's memory makes you think.

What's also not different this time is how resilient economies and capital markets are—particularly in more developed countries. People forget that. Sir John never would. There's this nonsense notion about secular bear markets lurking around every corner (Chapter 4). But if that's true and if capital markets aren't remarkably resilient, how can it be the value of all publicly traded stocks globally keeps rising over time—currently $54 trillion?[1] Global economic output is now at $63 trillion![2] It was $31 trillion in 2000.[3] (For all the 2000s being frequently referred to as a "lost decade," somehow the global economy doubled.) It was $19 trillion in 1990.[4] It will be higher still in 2020 and 2050 and 2083 and 3754. Exactly how much? I don't have a clue. Neither would Sir John, were he still alive. But I only heard him say about 40 times over the decades it would be much higher and at about the same growth rates as we've seen before—maybe a little more or a little less. Almost no one ever believed him on that—particularly not when he said it in the midst of a bear market or recession. Yet he was always right.

Side note: One reason folks fall prey to the notion of long-term stagnancy now, I believe, is the death of journalism. Once upon a time, journalism was a serious pursuit. To be a journalist, you went to school, you interned, you learned your five W's and your H—who, what, when, where, why and how. You put all the pertinent information in the first paragraph: Man bites dog in Tulsa suburb because dog stole his rib-eye steak. Then you elaborate. Editors knew they could "trim from the bottom." Don't need the details about the dog's breed or creed (purple Pekinese with three legs and no tail) in paragraph seven? Trim that. Don't need to know it was the man's birthday party from paragraph five? Trim that.

On magazine and newspapers' mastheads, there used to be a roster of staff writers. Some new, but many older and grizzled. They were the best and the core of the organ. They'd seen things. So when the young pups would say, "Golly gee! This Tech bubble is the biggest thing ever! The world is ending!" the Grizzled Veterans would say, "You don't know anything. The Energy bubble in 1980 was just as bad or worse!" They'd been around the block—lots of times.

Now, traditional journalism is dying. Blame the Internet, blame cable, blame whatever you want. Doesn't much matter! Traditional media is bleeding money. Pick up any newspaper or magazine. The masthead has been obliterated. Maybe there are just a few staff writers. Maybe those staff writers weren't there five years ago. They let all the grizzled guys go a long time ago to hire cheap guys and often kids who write for pennies. Or maybe for free! Online blog sites get tons of free contributors—they'll print any nonsense folks write. Or maybe they print just wire stuff and have a few go-to editorialists for some spice.

But most of the folks writing news today haven't been around the block. Maybe 2007 to 2009 really *was* the biggest thing they'd ever seen. Maybe they were in college during the last recession and bear market or (eek!) high school. Maybe they weren't even born for the one before that! They have no context. To them, the world really is ending and they can't fathom how we get past this bad time (whenever it is) because they've never seen that happen before—not as an adult.

I'm not saying that's it 100%. And there are still a very few old grizzled journalists around, but precious few. As a whole, we don't remember even very recent events. But it doesn't help when media confirms our worst nonsensical monkey memory fears.

Compounded by no-memory no-context journalism, it's harder to pause, take a deep breath and ask, "What am I forgetting? Has this happened before? Have I seen this or something like this before?" Because, except for the truly young pups reading this, you probably have.

Believing "this time it's different"—when it isn't—is more than just seeing the world wrong. It can lead to serious investing errors. In my world, people make bets—bets with their own or frequently with other people's money—based on their world views. The idea isn't to be perfect. No one is. To do well at money management—whether for yourself or others—means being right more than wrong over long periods. That means you will still be wrong a lot and frequently in clumpy patches of wrongness. But being right more than wrong is easier if you see the world more correctly.

It matters because seeing the world right and remembering it's never truly different this time could have saved people from making huge errors in 2009 and 2010. And it could save you big when the next big panic, super bull market or gotta-have-it investing fad hits.

The good news is that it's easy to spot the "this time it's different" mentality. It often masquerades as:

- The "new normal" or "a new era" or sometimes a "new economy." Just because people think, "This time it's different," doesn't mean they think all is terrible! Sometimes they are overly, dangerously bullish. Sometimes bearish.
- The "jobless recovery." Except every recovery is jobless—until it isn't anymore. No one remembers this.
- Fears about a "double dip"—which is always talked about but rarely seen.

There are other iterations, but these are the ones you likely run into most. So let's examine them.

The Normal Normal

Starting early 2009, the term *new normal* (a same-but-different way of saying, "This time it's different") started ping-ponging through the media. The new normal was specifically the idea that the bad problems newly emerged or envisioned in the recent recession were insurmountable—resulting in a new era of below-average economic growth, poor market returns, maybe even a double dip.

The basis for the new normal was a litany of ills—some real, some vastly overstated: A housing crash that hadn't recovered, too much US federal debt, too much consumer debt. Many believed greedy bankers had pushed our financial system beyond the brink and it was irrevocably broken. The economy couldn't recover because banks wouldn't lend. And tapped-out consumers couldn't spend!

(Now, a rational person might pause to think you can't simultaneously and logically fear banks *not* lending while fearing everyone being overindebted. If you fear people are overindebted, then banks not lending would be good! And you can't simultaneously complain consumers are all recklessly and irresponsibly tapped out and also complain they don't spend enough. But never mind—this is all part of the irrational psychosis that accompanies most every recession and bear market.)

Politicians got on the bandwagon, too, claiming the new normal supported whatever it was they wanted to do anyway—hike taxes, cut taxes, socialize medicine, whatever. Pundits and journalists jumped on *new normal* like they'd never heard it before. Novel! Except there's nothing so new about the new normal. We get some concept like it every cycle. Following are just a few historic examples from the media (*with my comments in italics*):

- September 2009—"The applicable word in **New Normal** is, of course, 'new.'"[5] *This was from the latest round of new-normaling.*
- December 13, 2003—"The Industry is starting to settle on a **new normal** where growth is more muted but sustainable."[6]
- April 30, 2003—A *F@stCompany* headline said, "Welcome to the **New Normal**"—calling it a "slightly awkward, slightly odd place" where corporate profitability is more challenging.[7] *Except when this was published, a recession had ended about a year and a half earlier, and a massive bull market run-up from the recent bear had started a month before.*
- November 2, 1987—A *Time* magazine cover said, "After a wild week on Wall Street, the world is different."[8] *Not the new normal, but a variation of "this time it's different." (And no, it wasn't different. The world recovered from the October 1987 crash and subsequent bear to finish the decade strongly.)*
- January 7, 1978—"The **'new normal'** is here and now."[9] *Same new normal, different country—from a Canadian newspaper.*

- June 15, 1959—"We could expect the country to return to the **New Normal** of the depressed Nineteen Thirties."[10] *You could expect it, but it didn't happen. Annual GDP growth was 7.2% in 1959, 2.5% in 1960, 2.1% in 1961 and 4.4% in 1963.*[11] *Normal, fine economic growth. A bit volatile, but normal normal, not new normal.*
- October 20, 1939—"Present conditions must be regarded as 'normal'—a '**new normal**.'"[12] *Sure, if* new normal *meant GDP annualized 8.1%, 8.8%, 17.1%, 18.5% then 16.4% as it did in 1939, 1940, 1941, 1942 and 1943.*[13]

This isn't to say every period following widespread use of *new normal* had fine (sometimes great) GDP growth. It's just the phrase tends to pop up most around the end of recessions and in the few years of recovery thereafter—when people are bleakest but the actual future is brightest. Regardless, it's never a very novel concept—or very prescient.

2009 and the New Normal

The latest new normal round doesn't appear to be very different at all. The latest cycle kicked into high gear in May 2009 when Bloomberg, Reuters, MarketWatch and *BusinessWeek* all featured new normal headlines or stories or both.[14] From there, it exploded. Check Google News for search results on *new normal* for any month in 2009 and 2010—you get thousands of hits.

Suppose in 2009 and 2010, while the media was almost uniformly handwringing a new era of economic lousiness, you decided stocks couldn't rise? First, you'd be wrong about the economic lousiness. The National Bureau of Economic Research (NBER) dated the recession's end as June 2009—but that announcement wasn't released until September 2010, which is normal. NBER always dates recession start- and end-dates at a big lag.

Even without the NBER's official pronouncement, GDP growth signaled the recession was likely over. US GDP was just flattish in Q2 2009—a first sign. Then, Q3 2009 1.7% GDP growth was followed by 3.8% growth in Q4 2009 and 3.9% in Q1 2010 (all annualized figures).[15] Positive GDP isn't the only factor NBER looks at to date a recession's end, but it's a major component. Put another way, I can't find two positive quarters together that NBER has ever called a recession.

More damaging if you'd acted on new normal fears: The stock market bottomed in March 2009, before the economy. Then stocks boomed—world stocks were up 44.1% three months off the bottom, and US stocks 40.2%.[16] Twelve months later, world stocks were up 74.3%, US stocks 72.3%[17]—the biggest initial 3- and 12-month bounce since 1932. From the market bottom through year-end 2010, world stocks surged 93.3% and US stocks 93.1%.[18]

If you believed this time was different—an era of eternal stagnation rather than the normal normal that follows every bear market—you missed that market surge. A surge that, for those who remained invested and well diversified, likely quickly erased a major chunk of previous bear market losses much faster than most everyone then thought possible.

This isn't unusual, either. It's normal—normal normal—how it almost always happens. Stocks typically fall before a recession officially begins, pricing in glum times ahead. Then when most folks envision only the worst possible outcomes, the market knows (we forget, the market doesn't) that things aren't ridiculously rosy, but it isn't Armageddon. Stocks start moving sharply higher on that disconnect between reality and perception, bottoming before the economy does.

Table 1.1 shows this phenomenon. Bear markets and recessions don't always overlap, but they usually do. Stocks at the major bull and bear market magnitudes are a leading indicator. Stocks fall into a bear market before the economy falls into recession and start rallying gangbusters before the economy turns up into recovery. For those common bear markets that do overlap recessions in the traditional way, stocks almost always rise first—and by a lot. It is the normal normal.

Missing from this list is the 2001–2003 bear market. The 2001 recession was short and shallow, and the bear market outlasted it. The 1987 bear market wasn't accompanied by a recession, nor were the 1966 or the 1961–1962 bear markets. (A recession ended earlier in 1961—in February. The subsequent bear market had nothing to do with it.) The big bear market of 1937 to 1942 also outlasted the relatively more minor second contraction of the period known as the Great Depression, from May 1937 to June 1938.

But when bear markets and recessions do coincide, history is clear—you want to be invested before the recession ends. Stock

Table 1.1 Recession Ends and Stock Returns

Start of Bear	Start of Bull	Recession End Date	Return From Bull Market Start to Recession's End	Total Bull Market Return
09/07/1929	06/01/1932	03/31/1933	32.57%	323.71%
05/29/1946	06/13/1949	10/31/1949	18.36%	267.10%
08/02/1956	10/22/1957	04/30/1958	11.44%	86.35%
11/29/1968	05/26/1970	11/30/1970	25.85%	73.53%
01/11/1973	10/03/1974	03/31/1975	33.85%	125.63%
11/28/1980	08/12/1982	11/30/1982	35.27%	228.81%
07/16/1990	10/11/1990	03/31/1991	27.00%	416.98%
10/09/2007	03/09/2009	06/30/2009	35.89%	???
		Average return	***27.5%***	
		Median return	***29.8%***	

Sources: Global Financial Data, Inc., S&P 500 price level returns, Thomson Reuters, National Bureau of Economic Research.

returns average 27.5% from the date a bull begins and a recession officially ends—because stocks start pricing in the coming recovery before growth is even thought of.

And even long after a new bull begins, and then a new recovery begins and rolls into expansion, people keep saying, "This time it's different"—believing with their souls the recovery *that is already under way* will never appear. That's normal normal.

A New *New Normal*

Another normal normal occurrence: As it becomes clear things aren't so bad, folks who heralded a new normal don't wave white flags and say, "Oops, we were wrong." Instead, the definition can just morph! This was on full display in 2009 into 2011. First, it was the new normal of low corporate profits. That didn't last long—corporate profit growth was historically huge (thanks to easy comparisons since profits tanked in the recession). *Then* it was a new normal of high profits or strong economic growth, but with high unemployment (e.g., "Obama Fears 'New Normal' of High Profits Without Job Growth"[19] and "Higher Jobless Rate Could Be New Normal"[20] or "Strong Growth Could Come With High Unemployment").[21] Then a new normal of lower consumer spending. ("Is Inflation Causing Americans to Stop Spending?")[22] This morphing is normal.

(Another side note: Another example of faulty memory is believing the economy can't recover if consumer spending doesn't bounce back hard. People forget: US consumer spending never falls much in recessions and doesn't need to bounce back much—and rarely does. Consumer spending is amazingly resilient because the largest chunk is staples—and even in tough times, we don't stop buying toothpaste and heart medicine. I show this in my 2010 book *Debunkery*.)

This is what I call the "pessimism of disbelief." Throughout 2009, good fundamentals started cropping up. They weren't outrageously great, just better—and much better than expected. Corporate profits were hugely above too-dour expectations—which is good! But people said, "Yeah, but that's because they fell so much." Fair enough! GDP was better than expected. "Yeah, but it's going to crater again." Everyone had a "Yeah, but." They refused to see anything positive. If they did see it, it was wrong or soon to morph to bad. This, too, you see after every recession and bear market I can find. And if you start seeing it in droves, as you did in 2009, a bear market bottom is likely either immediately ahead, or you may have just missed it. Either way, bad days can't last forever (they never do). And as Sir John and Mr. Buffett know, when the world is as gloomy as can be, that might be a great time to be greedy.

Same Old, Same Old

I knew the pessimism in 2009 and 2010 was wrong—not just because stocks had rebounded so strongly (though stocks are the ultimate leading economic indicator). But because I'd seen it all before. By November 2010—a full year and a half since the global stock market bottomed and over a year since the world returned to growth—headlines still warned of impending doom. That month, I included the following in my monthly *Forbes* column ("Don't Be Distracted by Monkey Business," *Forbes*, November 4, 2010):

> Supporting most bears right now is a bunch of bull: namely, the notion that too much debt will bite us in the butt. Since last fall the guts underlying gloom-and-doom market forecasts

> have been disproven one by one. Excessive debt is the main argument the bears still hug.
>
> Which is one reason the bull market has a long way to run—the bears are basing their case on a wrong argument. Debt doomers come in varying styles. There is the banking-crisis style and the real estate implosion style—often linked, as in "falling real estate prices will bankrupt the banks, which will cause chaos." Then, too, are those noting the "tapped-out consumer" who can't or won't borrow, thereby causing an anemic recovery or no recovery, or finally, the pseudo-sophisticate's favorite—the double-dip recession.[23]

Except, I didn't write those words in November 2010. I lifted that passage straight from my August 5, 1991, *Forbes* column "Dumb Bears." But they read like I wrote them that November morning, almost 20 years later!

People were still fretting the same things—debt, a credit crisis, housing weakness, bad banks, tapped-out consumers—they fretted in 1991! All over again! Chittering chimpanzees with no memories or historical sense! And what didn't happen after I first wrote those words in 1991?

- Armageddon, though it was widely expected.
- A US implosion.
- The end of the world.
- The S&P 500 falling to zero.

What did happen?

- A nearly uninterrupted decade of global economic vibrance.
- A historically massive bull market.
- Both led by the US, mostly.

I wrote those words in 1991 because being in this business myself since 1974 in varying degrees and witnessing my father in the business for decades before that, I had seen the same darn things happen repeatedly. And being a fan and scholar of market and economic history, I knew there was no new phenomenon here: When all the world thinks things can only be bleak going forward, that doesn't make it so. In fact, that probably (but not certainly) means the reverse is (soon or already) true.

So no, I didn't necessarily know the 1990s would be historically tremendous. But I did know what everyone was fearing was unlikely to happen—and almost certainly already priced into markets. That is, after all, what markets are supposed to do—price in now all widely known and discussed fears and hopes so only the unexpected has power to move markets big in the future.

People in 2009 and 2010 forgot we'd been through recession, credit crises and periods of big debt before. Many times! Forever, since the dawn of time, recession comes. People feel bad. They think the world can never get better. Yet it does—and growth surpasses previous peaks and keeps going. Then, at some point in the future, recession again. Repeat, repeat, repeat, with periods of expansions frequently longer than people predict, and always hitting fresh output highs at irregular intervals.

A simple fact that received no media attention at all in 2011 was that GDP hit all-time highs globally by mid-year. As I write, almost no one knows that or believes it. Two years later and GDP being at all-time highs is a normal normal story—and one the media hasn't covered and won't. That's normal.

People who believe "this time" is truly different must have a dim view of humanity I don't share. For this time to be different, on a global scale, it means humanity is no longer motivated by profits. Profit motive is a good and wonderful thing. It leads to fabulous things like life-saving medicine and medical devices but also increasingly tiny and ever more powerful computers, must-have tech toys like smartphones and tablets, better housing, safer cars, even mundane stuff like increasingly better yet cheaper sneakers. Profit motive is what drives financial innovations that let more people buy homes, borrow money to go to college, buy cars and so on. I don't think that ever stops—human ingenuity is nearly boundless. Sir John talked about that nearly endlessly for decades. When we run into barriers (slow growth, regulation, disease, dumb legislation), eventually we innovate a way around it. But people who think this time is different evidently have decided it's time to pack it in and expect a dismal future.

But despite the endless headlines over time that "this time it's different" and we're in a new normal, all we get is the plain old normal of a return to growth—growth that is variable but typically stronger than what anyone was predicting.

If folks stopped forgetting, they wouldn't be so surprised. And if they remembered, they might make fewer costly errors—like sitting on the market's sidelines during a historic market surge.

Some may read this and misunderstand, thinking I'm a knee-jerk Pollyanna who doesn't believe recessions are bad or bear markets happen. Wrong conclusion. They do. Most assuredly! But they're normal, not a new normal. Just a part of life. They hurt. But for some reason, people can't get in their bones that expansions and bull markets happen, too. They follow those recessions and are part of the normal ebb and flow. The expansionary periods are almost always longer and stronger than the downturns. If you go through life seeing only the bad times and cowering in fear, you likely miss out on the vastly more frequent, longer and stronger times when economies cook along and capital markets hit new highs and keep going.

I don't know when the next recession will be. I can't predict that with certainty. But I can near-guarantee that after it hits—when the stock market is maybe already bottoming and bouncing back strongly, and the recession is almost over (or maybe already over but people don't know it, see it, feel it or believe it yet)—you will hear some variation of the new normal concept again. And that likely goes on for another one to three years, even well past the point at which the recession is officially acknowledged to be over. That's the way it works—almost always.

The Not-So-New Economy

People have a tendency to forget that every recession is followed by expansion. But people are chittering chimpanzees with no memory or historical sense on the upside, too. Remember the *New Economy?* This buzz phrase was huge late in 1998 and 1999 and throughout 2000 even into 2001 and immortalized in a January 2000 *BusinessWeek* cover story titled, "The New Economy: It Works in America. Will It Go Global?"[24]

For those who don't remember, the new economy was the polar opposite of new normal—but driven by the same inability for humans to remember even recent history. It was the idea that the super-fast growth in Tech-industry market capitalization was eternally sustainable—and possible in other industries. Profits didn't matter—which was good because a lot of those high-flying Tech firms didn't have any. New Economy adherents thought profits would come around eventually. Or maybe not! If you have an endless stream of investors willing to throw money at you, who needs profits?

Turns out, we all do, eventually. The new economy was an almost exact replay of the energy boom in the late 1970s. But people forgot about that, too. (I wrote about the eerie similarities I saw between tech in 2000 and the 1980 energy bubble in a March 6, 2000, *Forbes* column titled, "1980 Revisited." I suspected we were at or near a top, but my timing, mere days before the actual global tech peak, was pure happenstance.)

Whether positive or negative, if all the world is hectoring about a new economy or a new normal, it probably just means there's a society-wide case of very contagious amnesia—which is the normal normal.

Figure 1.1 is a good chart to revisit occasionally. It's old, but it shows business activity cycles back to 1790. Your takeaway should be: Sometimes contractions are bigger or smaller, and expansions can vary greatly. But the economy is cyclical—in America and elsewhere. Economies have never just gone down forever. I doubt they do in the future.

The Jobless Recovery

Even well after every rational person acknowledges a recession is over, you get headlines and news stories saying something like, "It may not be a recession, but it sure feels like one!"

But what does a recession feel like? A recession isn't a *feeling*—according to NBER:

> A recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales.

They don't say anything about feelings. Granted, when economic activity is slow, that can make you feel pretty crummy. But then, when economic activity is provably picking up, why do people still feel like it's a recession?

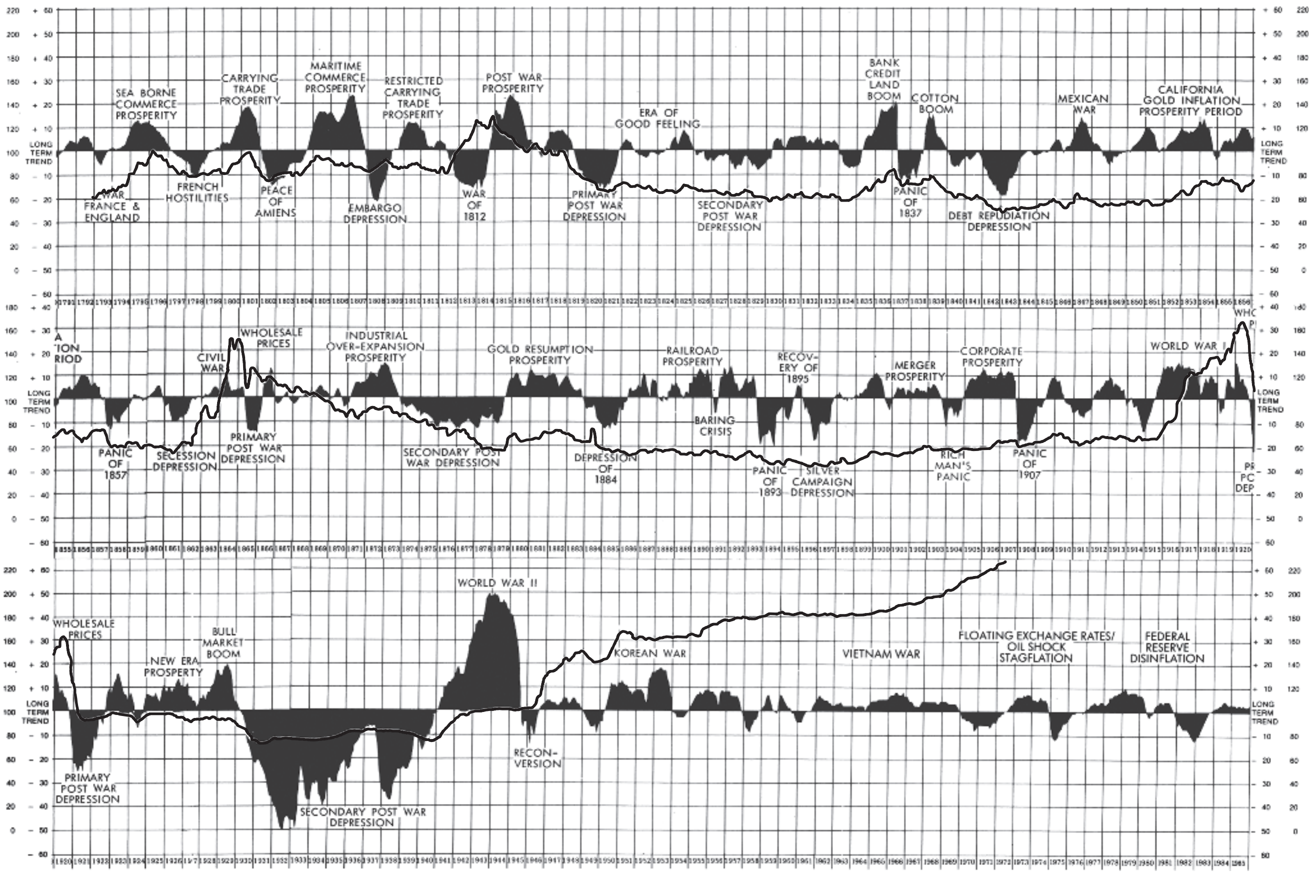

Figure 1.1 American Business Activity, 1790 to 1986

Source: Ameritrust Corporation, January 1986.

My guess? A big part is unemployment. Unemployment rises in every recession—and keeps rising after recessions end. True fact. Being unemployed can be agonizing. The uncertainty about the future is possibly worse. So when more people are unemployed, you have larger sets of people feeling bad all at once. What's more, when unemployment is elevated, more people fear they may be unemployed soon, too—and they feel bad.

Interestingly, in dating recessions, NBER does cite employment but not unemployment, which statistically are two extremely different things—far from the mirror images that many commonly think. Unemployment is and has always been a long-late-lagging indicator and isn't directly linked to employment because of the bizarre way the official stats are calculated. *Employment* stats aim to measure how many folks have jobs, and the employment rate is the number of folks having jobs relative to the total labor force. But official *unemployment* stats don't measure the number of people who don't have jobs. The way the government calculates it, it's the number of people who are looking for jobs at a point in time.

Early in a recovery, as some folks get jobs, others see that, get more optimistic and start looking, too—which also helps keep unemployment high long into an economic expansion. This is why payrolls can increase and the unemployment rate can also rise—always the case in every expansion. (The media particularly never seems to remember this.)

But people can be truly jobless during even very robust growth periods. And for those people, that still feels awful to them. So feelings aren't necessarily the best economic indicators.

Still, this idea, that it's not a recession but it sure feels like one, pops up in media, usually, as the *jobless recovery*. Fact is, every recovery is relatively low on job growth, some more and some less so . . . until it isn't anymore. This is nothing new—yet investors, pundits, politicians, everyone, routinely forgets. If you've lived through more than one recession, you've heard this. (But maybe you've forgotten.) By the third time you hear "jobless recovery," you should start remembering, "Oh yeah! That's what they always say. And *they*, whoever they are, are pretty much always wrong."

Google has a fun tool letting you run a timeline—back to the Magna Carta, practically—of search terms. You can see where certain terms spike in popularity and usage. Granted, sometimes the terms show up and are utter nonsense. But something like "jobless recovery" is a pretty targeted search. Look for it and, lo and behold, you see it spiking in popularity at the end of every recession as far back as you care to search.

For example, after the recession that ended June 2009:

- February 5, 2010: Headline—"Analyst: This Is What We Call a **Jobless Recovery**."[25]
- June 10, 2010: "The hope of a robust labor market recovery is fading. We may be in for another **jobless recovery**."[26] *The journalist writing this article may not have realized there has never been a truly jobless recovery, so having "another" one is rather tough.*

After the 2001 recession:

- July 6, 2002: Headline—"Higher Jobless Rate Reflects Slow Recovery." The article also said: "With the government reporting yesterday that the unemployment rate rose slightly to 5.9% last month, the economy appears to have fallen into a *jobless recovery* that resembles the slow growth of the early 1990s. . . . In a sense, the recession is over, but the recovery has not begun."[27] *This one is a double whammy because most reading this should automatically know the 1990s was overall a terrific decade!*
- November 2, 2002: "Some Fed bank presidents have worried that businesses are not expanding as quickly as hoped—and that the nation is locked in what is essentially a **jobless recovery**."[28]
- October 2003: "We're sensing from our members that the 'new normal' may well be economic growth with **only small gains in employment**."[29] *New normal* **and** *a jobless recovery.*

But we weren't in a jobless recovery. The unemployment rate fell eventually, at a lag—as it always does. People just forget—even Fed bank presidents.

After the recession ending in 1991:

- January 19, 1993: "If you take the two months together, it confirms what we already knew, that this has been a **jobless recovery**."[30] *Of course, the 1990s weren't jobless.*
- May 8, 1993: "Labor Secretary Robert Reich said Friday that the April employment data is 'clear evidence' that the economy remains stuck in a '**jobless recovery**.'"[31]

Labor secretaries are particularly prone to forget. Politicians of all stripes are just about the worst offenders. I think they intentionally forget.

Then, this sometimes happens: The jobs come back, but they aren't the *right* ones.

- September 7, 1993: Headline—"More Jobs, But Not Good Ones." The article said, "First there was the jobless recovery. Now there's the '**joyless recovery**.' That's the name of a new report out by the Economic Policy Institute that finds little reason to celebrate the kinds of jobs being created in the 1990s."[32]

Some follow-up questions: Who is the Economic Policy Institute to decide whether jobs are the right kind of jobs or not? Do they think *your* job is the right kind of job? Do you even care? And do you think they get razzed by other think tanks for taking exception to the kinds of jobs being created in the early part of the 1990s, at the beginning of a historic period of global economic expansion? My guess is they, too, forgot they said anything about it. Think tanks forget, too! Pretty often, think tanks think too little and tank too much.

Jobs came back in the 1990s, though. In case you forgot, unemployment fell throughout the 1990s to a low of 3.9% in September 2000[33]—and the decade overall was a terrific one for stocks and the economy. (Recall, again, employment and unemployment aren't directly linked, but sometimes they appear to be, and it's usually late in an economic expansion—shortly before the next recession.)

It keeps going. After the two recessions early in the 1980s:

- June 4, 1983: In reference to then-Tennessee Congressman Jim Cooper, "The Congressman called the current recovery a weak one. 'You can almost call it a **jobless recovery**.'" *Almost, but not quite, Jim. As I said, politicians have particularly bad memories.*[34]

You can find endless examples. There's this *New York Times* quote from 1938, "Observers wonder if we're experiencing a '**jobless recovery**.'"[35]

In every single recession—as far back as we have good data on both economic cycles and unemployment—improvements in unemployment lagged the recovery. Again, this is normal and healthy, not weird and worrisome. Journalists probably wouldn't write so many alarming headlines—and investors wouldn't get so alarmed—if they simply remembered how it all happened the last time (and the time before, and the time before that).

When Do You Hire? But forget about unemployment for a second and think about employment, which is more important and something NBER does consider in deciding when we have a recession and when we don't. Pretend you're a CEO. Sales of your widgets are slowing. Maybe a recession is coming or already here—you may not know it yet for sure because, of course, recessions are officially dated at a lag.

Sales are plummeting. You don't want to cut staff—no one does. So you hunker down. You cut costs. No more air travel, everyone has to do conference calls. You find ways to make your widgets cheaper. Sales keep falling. You pull out all the cost-saving stops. But after a quarter or two, you know: You must cut staff. If you don't, your entire firm could implode. To preserve your firm, keep your customers and keep some staff, you cut.

Things keep getting bad for a while, but you have a bare-bones staff and they keep innovating ways to be more productive. And you barely get by. Then, one day, sales level off. Maybe you're through the worst, maybe not. Maybe you fear that double dip everyone talks about (but rarely happens—we'll cover that in a bit). Do you hire then?

No. That would be insane. Your board would fire you. Your staff has learned to make do with less—you don't need to hire, so you don't. Then, sales start increasing. You're cautiously optimistic about the future, but you still don't hire. Because of productivity gains, your staff can handle the sales increase. You get a bump in earnings too because those increased sales with low costs are highly profitable. But you still don't hire because profits fell so much in the contraction, you want to refill your coffers first.

Sales really start cooking. Your team is looking a little stressed. But you still aren't convinced. Is the recession really over? Finally, after a few quarters, you're convinced things are solidly better. You find out the recession ended three quarters ago, but you pretty much knew that based on your sales. Your sales manager comes to you and says, "Listen, we're leaving money on the table here.

We don't have enough staff to fulfill all our orders, and our sales guys can't get to all the sales calls." Fine! Now, you hire.

But even that doesn't happen overnight! Maybe you start with temp or contract workers because even though things look great, it could all go kablooey fast—and contract workers are easier and cheaper to hire. And you can let them go more easily if things head south again—and you're still being rationally cautious. Maybe you wait a few quarters to start committing to long-term permanent workers, who are harder and more expensive to hire. And it still takes time to recruit, interview, hire and train new workers.

This is, pretty much, how most CEOs approach hiring. They don't think, "Gee whiz. My sales are way down. The economy is terrible. But I'll do my civic duty and hire a bunch because the president wants me to so he can look good, even though it might put me out of business." Only politicians think that's how businesses should be run because most of them have never had a real job. No, this is not how the real world works.

And that's what Figures 1.2 and 1.3 show—recessions (shaded bars) and the unemployment rate (the line) since December 1928 (since that's as far back as we have monthly data). I use this graph a lot and usually put all the data in one graph. But to show how long the lag can be, I broke it up here.

Note, unemployment starts rising a little before, maybe a little after the recession starts. But without fail, throughout history, recessions end and unemployment keeps rising. Sometimes for many months; sometimes for over a year or more! But unemployment never peaks until after the recession ends, and it can then stay high for a long time. But it falls—sometimes faster, sometimes slower, but it falls.

People also frequently complain—in and after a recession—that the official unemployment rate is a fake number, and people are really underemployed, or they have the wrong jobs. But that's always the case, too! People are underemployed even in the best of times, and official unemployment numbers, being produced by governments, are always wonky. You can either accept that or go shake your fist at the sky. The result will be the same, for a fact.

For darn sure the next time we have a recession, unemployment will still rise for some time after it ends. And headlines will complain that it's a jobless recovery. Count on it.

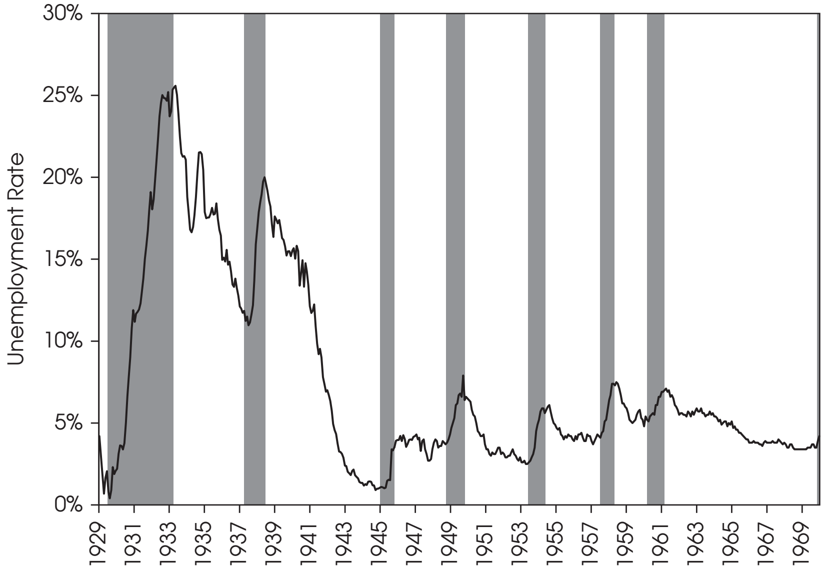

Figure 1.2 Unemployment and Recessions, 1929 to 1970

Sources: US Bureau of Labor Statistics, National Bureau of Economic Research, from 12/31/1928 to 12/31/1969.

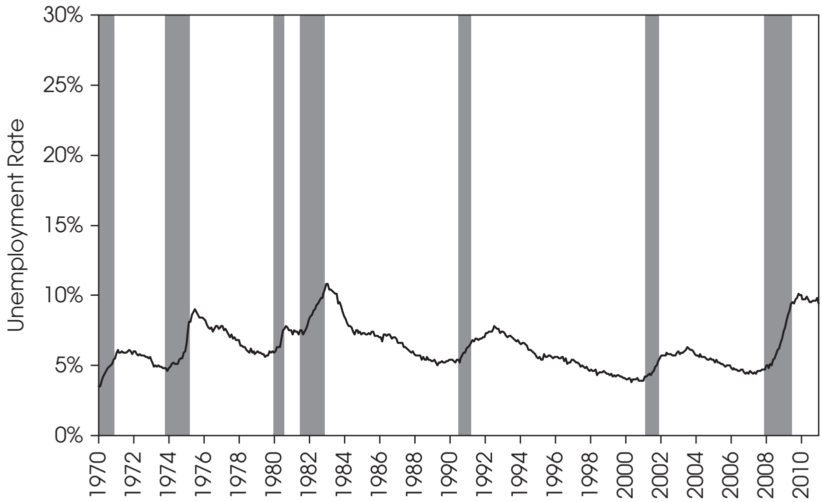

Figure 1.3 Unemployment and Recessions, 1970 to 2010

Sources: US Bureau of Labor Statistics, National Bureau of Economic Research, from 12/31/1969 to 12/31/2010.

The reason this is an important lesson to remember is folks tend to think, wrongly (as you now know), the economy can't grow on high unemployment. It seems so logical to think that, but it has never been true for all the reasons we've covered. And they think stocks can't rise until the economy kicks into gear. And that, too, seems logical and also has never been true. This is all backward and wrong (as this chapter showed earlier). But it's also costly. If you wait for confirmation from unemployment all is well, you miss out. Confirmation in general is expensive in capital markets. Especially so here!

Table 1.2 shows the return you got in US stocks (because of the longer data history) over the next 12 months if you bought at historical unemployment peaks—just before unemployment started falling. (Mind you, to do this, you'd have to *know* it was a peak—and you can only know that in retrospect. I don't know anyone who's ever successfully and repeatedly called unemployment peaks. Nor do I know any reason why you'd want to.) The table also shows how stocks do over the next 12 months if you buy 6 months *before* the peak, i.e., while

Table 1.2 Unemployment and S&P 500 Returns—Stocks Lead, Jobs Lag

Unemployment Peak	S&P 500 Forward 12-Month Returns	6 Months Before Unemployment Peak	S&P 500 Forward 12-Month Returns
05/31/1933	3.0%	11/30/1932	57.7%
06/30/1938	–1.7%	12/31/1937	33.2%
02/28/1947	–4.3%	08/30/1946	–3.4%
10/31/1949	30.5%	04/30/1949	31.3%
09/30/1954	40.9%	03/31/1954	42.3%
07/31/1958	32.4%	01/31/1958	37.9%
05/31/1961	–7.7%	11/30/1960	32.3%
08/31/1971	15.5%	02/26/1971	13.6%
05/30/1975	14.4%	11/29/1974	36.2%
07/31/1980	13.0%	01/31/1980	19.5%
12/31/1982	22.6%	06/30/1982	61.2%
06/30/1992	13.6%	12/31/1991	7.6%
06/30/2003	19.1%	12/31/2002	28.7%
10/31/2009	16.5%	04/30/2009	38.8%
Average	**14.8%**		**31.2%**

Sources: Bureau of Labor Statistics; Global Financial Data Inc., S&P 500 total return, as of 05/01/2011.

everyone's calling it a jobless recovery and it still "feels" like a recession. Overwhelmingly, returns are better if you buy before the unemployment peak and by a huge margin. Forward 12-month returns average 14.8% from historic unemployment peaks, compared to a big 31.2% if you buy six months before the peak—a return twice as high.

If you knew this history, you'd know not to panic if unemployment fails to fall early in a recovery. You'd know waiting to invest until unemployment fell could be very costly. But the fact is the overwhelming bulk of investors don't know this—because they've forgotten what they've been through many times before. But if you did know, you would also know unemployment being elevated shouldn't halt the recovery or ding stocks. There's no precedent for that. Pundits and politicians, however, will say it's true because they just can't remember it's never been like that.

The Always Feared, Rarely Seen Double Dip

Few things cause a sudden and myopic loss of memory like the fear of that near-mythical creature, the double-dip recession. All 2010, headlines were relentless—I needn't repeat them. They reappeared in 2011, too. A sizable global stock market correction kicked off mid-year 2010, partly on fears of a debt contagion from peripheral Eurozone countries, and partly on fears the US (and the world) would double dip.

Needless to say, there was no double dip. Not even in Europe (overall), where Portugal, Italy, Ireland, Greece and Spain (the PIIGS) did their darnedest to drag the entire EU down. Despite two good-sized corrections, US and world stocks ended 2010 up 15.1% and 11.8%, respectively, and the US and the world logged positive economic growth every quarter.[36] Investors moving heavily away from stocks based on double-dip fears in 2010 made a costly mistake—both in absolute and relative terms. Counteracting short-term memories with a little study of history could have prevented that.

Like the new normal, people readily forget double-dip fears aren't new. They pop up regularly after recessions. After the short and shallow 2001 recession, the US economy grew uninterrupted until December 2007, i.e., no double dip. But still, you got headlines like the following:

- July 13, 2002: "Stock Market's Nose Dive Fuels Fears of **'Double-Dip'** Recession."[37]

- August 1, 2002: "Anemic Showing Stirs Worries of **Double-Dip** Recession."[38]
- August 2, 2002: "Markets Spooked by Possibility of **Double-Dip** Recession."[39]

In December 2001, a *New York Times* headline warned, "Recession, Then a Boom? Maybe Not This Time," The story said, "But the rules for recoveries *may well be different today*—not because of Sept. 11, but *because of fundamental changes in the economy*."[40] (I added the emphasis to the "this time it's different" sentiment.)

But what were the fundamental changes? According to the article, in recent decades, expansions had gotten longer and downturns were less frequent and less severe. So that was supposed to mean the economy, without a big downturn, lacked juice for a sustained recovery.[41] Which confuses me and should confuse you.

It's true, downturns over recent decades have been less frequent than they were in the first half of the twentieth century. First, that may be just a quirk of statistics. Sometimes things are longer than average, sometimes shorter. That's what an average means. But the increasing expansions also speak to technology's increasing role in business management. Firms can use technology and computers to react faster now when they suspect trouble—by ratcheting down on inventories, for example—and ramp back up fast once they gain confidence. That's a fundamental change for good, not one that makes our economy inherently more anemic going forward.

Then after the recession that ended in March 1991, a July 1991 headline warned, "Double-Dip Recession Is Feared."[42] The article said, "Even if that scenario does not develop, analysts believe that the variety of problems facing the United States, from strains on the banking system to an overload of consumer debt, will make this expansion the weakest in US history."[43] It included (new normalish) predictions of a modest annual rate "of around 2%."[44] Yes, this, in the middle of 1991, before one of the longest, strongest US expansions on record and a massive bull market!

Other headlines from that period:

- August 11, 1991: "Fed Fears **Double-Dip** Recession."[45]
- August 13, 1991: "Retail Sales Bounce Back. Economists Watch for '**Double Dip**.'"[46] *This was from the UK (which did*

not fall into a double dip) and a great example of what I call the pessimism of disbelief. Good news (e.g., rebounding retail sales) is just ignored.

- December 4, 1991: "National Economy Stalled on Brink of **Double-Dip** Recession."[47]

Oddly, I found very few double-dip headlines between July 1980 and July 1981—the short 12-month interval between the two early 1980s recessions, which legitimately could be seen as a double dip. I did find a February 1981 headline saying a double dip *wasn't* coming—"Economists Backing Off on Recession Predictions."[48] Then, in March 1981, Louis Rukeyser wrote:

> It's beginning to look as if the so-called **double-dip** recession has gone to that great never-never land in the sky. . . . The latest consensus forecast of 44 top business economists is that the first 3 months of 1981 will show solid real growth (exceeding 2%), that the second quarter will be no worse than flat, and that the second half of the year will bring a strong resumption of economic expansion—culminating in a 4% pace at year-end that would be well above the over-all growth rate of recent years.[49]

Except the US economy did sink back into recession July 1981 until November 1982.[50] I'm not picking on Rukeyser—not at all. Economic forecasting is devilishly tough. There's that joke about economists having predicted 11 of the past 2 recessions. Also, when you put yourself out there regularly—writing and appearing on TV and making regular pronouncements—you're going to be wrong. Sometimes a lot!

I know that—I've written a monthly column in *Forbes* for over 27 years. Each month, I usually pick some stocks (except for those periods when I've been fully bearish). I make or reiterate a market forecast or otherwise muse on some sector or industry's direction. I've been wrong. A lot! And when I am, I'm hammered for it regularly in the blogosphere or by other pundits. I don't mind it—I expect it.

Anyone who makes any public predictions on anything—stocks, the economy, football games, wheat harvests—knows people (and particularly snarky people) will endlessly hammer them when they're wrong and utterly ignore them when they're right. If your ego requires that people congratulate you for being right, don't write, don't go into money management and certainly don't do both. I don't much need congratulations (never been that way) so I've managed to have both a long writing and money management career.

I am, however, fortunate and grateful in my long career to have been right more than wrong. Third-party research firm CXO ranks market "gurus" (their term) who make public proclamations. For years now, I've been among the most accurate forecasters of those they measure—based on my stock picks in *Forbes*, which by and large reflect the same outlook I have for my firm's private client portfolios. My stock picks in *Forbes*, since they started measuring in 1996, have lagged the S&P 500 only three times in 15 years. We tied once, and my picks beat 11 times. Not too shabby. As of year-end 2010, my picks annualized 10.5% to the S&P 500's 5.2%.[51] (Forbes measures by taking equal-sized investments in the S&P 500 the day my column publishes, giving a 1% haircut to my picks for transactions costs but no such haircut to the S&P 500 and comparing year-end performance.) And my firm has a long-term history of beating both the S&P 500 and the MSCI World Index in all-equity portfolios.* That's pretty good for a career as long as mine, and I'm satisfied that, though I've been wrong and expect to be wrong again quite often (and often for periods that at the time feel like they go on forever), overall, in the long term, I've done well for my clients and readers.

So I'm not slamming Rukeyser. He was a fine gentleman and in very many ways a pioneer in TV financial journalism. He had me on his show, back when I was an utter nobody. He was that kind of guy.

But ironically in mid-1981, there were precious few mentions of a coming double dip—just at the one ultra-rare time when one would actually happen. And Rukeyser, who was about as big a name as you'd find in those days, was actively pooh-poohing a double dip,

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*The Fisher Investments Private Client Group (FI PCG) Global Total Return (GTR) strategy was incepted on January 1, 1995, and is managed against the Morgan Stanley Capital International (MSCI) World Index. For the period from inception through December 31, 2010, performance returns (net of advisory fees, commissions and other expenses, and reflecting the reinvestment of dividends and other earnings) of the FI PCG GTR composite exceeded total returns of the MSCI World Index as well as the S&P 500 Index. Past performance is no guarantee of future returns. Investing in stock markets involves the risk of loss.

though another recession was on the way. Life in capital markets and punditry is very, very quirky and ironic.

But after most every other recession, when new recessions don't appear so quickly, it's easy to find endless blather about double dips that don't, in fact, occur. Like in February 1975, when a member of the Ford administration said, "What is now likely is a 'double dip recession.'"[52] Then the recession ended a month later, and the economy expanded until January 1980.[53] On and on and on and on again.

What Exactly Is a Double Dip?

Instead of asking, "When have there been double-dip recessions?" a better question might be, "What exactly is a double dip?"

NBER defines a *double dip* as . . . just kidding, they don't define it, nor identify one. Not at all. A double dip is rather like *stagflation*—a term without an official definition that a lot of people fear and think is frequently just around the corner but doesn't show up as often as media headlines imply. Still, you'd think we'd know a double dip in some official way when we see one.

When (most) people say double dip, they mean we were in recession, grew a bit and then shrank back into recession because we couldn't outgrow all the problems from the beginning of the recession. But since double dip isn't officially defined, what time period should we use as the intervening growth period? Some people say 12 months. But when that doesn't materialize, the double-dip interval gets mysteriously pushed out to 18 or 24 months. Heck, why not use three or four years? By that kind of logic, 2007 to 2009 could be the fourteenth dip of the 1930s Great Depression—a decaquadruple dip! Geesh!

Twelve months or less seems fair—and the two recessions starting January 1980 and July 1981 qualify with 12 months between the two. (See Table 1.3, which shows economic cycles as dated by NBER.) Still, that first recession lasted just 7 months, and the second one lasted 14 months. An average recession (since 1854—as far back as NBER has data) lasts 16 months. Add the two 1980s recessions together and you get one recession that lasted a bit longer than average with a growth break in between. Note it came at the start of an awesome, near decade-long bull run for stocks and a huge economic expansion, and then a near repeat in the 1990s, so the double dip didn't doom stocks long term.

Table 1.3 US Economic Cycles Since 1854

Business Cycle		Duration in Months	
Peak	Trough	Contraction (peak to trough)	Expansion (previous trough to this peak)
	December 1854	—	—
June 1857	December 1858	18	30
October 1860	June 1861	8	22
April 1865	December 1867	32	46
June 1869	December 1870	18	18
October 1873	March 1879	65	34
March 1882	May 1885	38	36
March 1887	April 1888	13	22
July 1890	May 1891	10	27
January 1893	June 1894	17	20
December 1895	June 1897	18	18
June 1899	December 1900	18	24
September 1902	August 1904	23	21
May 1907	June 1908	13	33
January 1910	January 1912	24	19
January 1913	December 1914	23	12
August 1918	March 1919	7	44
January 1920	July 1921	18	10
May 1923	July 1924	14	22
October 1926	November 1927	13	27
August 1929	March 1933	43	21
May 1937	June 1938	13	50
February 1945	October 1945	8	80
November 1948	October 1949	11	37
July 1953	May 1954	10	45
August 1957	April 1958	8	39
April 1960	February 1961	10	24
December 1969	November 1970	11	106
November 1973	March 1975	16	36
January 1980	July 1980	6	58
July 1981	November 1982	16	12
July 1990	March 1991	8	92

(*continued*)

Table 1.3 *Continued*

Business Cycle		Duration in Months	
Peak	Trough	Contraction (peak to trough)	Expansion (previous trough to this peak)
March 2001	November 2001	8	120
December 2007	June 2009	18	73
Average (all cycles)			
1854–2009 (33 cycles)		16	42
1854–1919 (16 cycles)		22	27
1919–1945 (6 cycles)		18	35
1945–2009 (11 cycles)		11	59

Source: The National Bureau of Economic Research, as of 05/31/2011.

Before 1980, the most recent US double dip was . . . *not* the Great Depression. The Great Depression was two distinct recessions (and two distinct bear markets, by the way). The first recession was brutal—43 months starting in August 1929—way above average (and skewing the average higher, mind you). Then we got over four years of uninterrupted growth—50 months. The average growth cycle lasts 38 months (which is skewed down by some shorter cycles in the nineteenth and early twentieth centuries), so that mid-1930s growth cycle was markedly above average in duration! Not a double dip. Overall and on average a miserable period—but not one long period of uniform stagnation.

Before 1980, you must go back to 1918 for a 12-month-or-less-interval double dip. A recession started August 1918 and lasted seven months (short). Ten months later, a new one started January 1920 and lasted 18 months. Considering the first recession was so short and the growth interval short, maybe—and I'm not criticizing NBER here—but just maybe, data back then weren't as precise as more modern data and that was really a longish recession, not a double dip. Don't really know. But never mind!

Before that, starting in 1910 you get a 24-month recession, 12 months of growth and another 23 months of recession starting

January 1913. Regardless of what you think of the Federal Reserve System, monetary policy was just miserable, or rather, nonexistent, before the Fed was created in 1914, hence we had more recessions before (bank panics, too). And before that, you get . . . none. No double dips that I can find in the US, the world's largest single economy.

Let's review. Since 1854, we've had three double dips. Two came fast on the heels of one another pre- and early-Fed. (And one of those is a touch debatable in my view, though the NBER folks can feel free to send me a strongly worded letter.) One started in 1980. Three double dips in 33 cycles—a 10% occurrence.

Maybe you think an 18-month interval qualifies. Fine—add two more double dips. The last started in 1893. The one before that was 1865. Both pre-Fed.

Next time you hear someone predicting a double dip, ask if he would make a big bet on something that occurs 10% of the time? And most of those times were before we had a central bank. That's not to say low-probability events can't happen. They do! But if you're banking on a double dip, you better have a good reason—one that explains away the vast majority of cycles that aren't double dips. Otherwise, your faulty memory is letting you just bet on black 25 in Vegas.

To summarize: People tend to remember and expect things that never or rarely occurred. They forget things that happen regularly. They look for a concept like the new normal at the same stage of every cycle. They always fear unemployment in every new economic expansion. They regularly fear double-dip recessions that rarely seem to happen. There is much more, but the central problem is: Our memories are faulty. There is a lot more we fail to remember correctly, and all of it leads to the truth of Sir John Templeton's utterance, "The four most expensive words in the English language are, 'This time it's different.'"